

**REPORT OF THE AUDIT OF THE
WARREN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WARREN COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Warren County Fiscal Court for fiscal year ended June 30, 2004.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Warren County, Kentucky.

We have issued a qualified opinion, based on the reports of other auditors, on the discretely presented component units of the Warren County Fiscal Court, which include the Southern Kentucky Performing Arts Center, Inc., the Inter-Modal Transportation Authority, Inc., and the South Central Kentucky Regional Development Authority. The financial statements of the discretely presented component units have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Warren County, Kentucky, uses to prepare its financial statements.

Financial Condition:

The fiscal court had net assets of \$44,932,000 as of June 30, 2004. The fiscal court had unrestricted net assets of \$4,969,653 in its governmental activities as of June 30, 2004, with total net assets of \$44,800,751. In its business-type activities, total net cash and cash equivalents were \$125,272 with total net assets of \$131,249. The fiscal court's discretely presented component units had unrestricted net assets of \$2,746,217 as of June 30, 2004, with total net assets of \$8,953,756 as of June 30, 2004. The fiscal court had total debt principal as of June 30, 2004 of \$50,738,949 with \$1,436,052 due within the next year. The discretely presented component units had total debt principal as of June 30, 2004 of \$18,053,713 with \$0 due within the next year.

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities, except for the Southern Kentucky Performing Arts Center, Inc., a discretely presented component unit of the Warren County Fiscal Court, whose deposits were uninsured and uncollateralized.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Michael O. Buchanon, Warren County Judge/Executive
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Warren County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the discretely presented component units of the Warren County Fiscal Court, which include the Southern Kentucky Performing Arts Center, Inc., the Inter-Modal Transportation Authority, Inc., and the South Central Kentucky Regional Development Authority; which represents 100% of the assets and revenues of the discretely presented component opinion units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Southern Kentucky Performing Arts Center, Inc., the Inter-Modal Transportation Authority, Inc., and the South Central Kentucky Regional Development Authority, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.



To the People of Kentucky

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Finance and Administration Cabinet

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As described in Note 1, management of Warren County Fiscal Court prepares the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America while management of the discretely presented component units of the Warren County Fiscal Court, which include Southern Kentucky Performing Arts Center, Inc., the Inter-Modal Transportation Authority, Inc., and the South Central Kentucky Regional Development Authority, have adopted the accrual basis of accounting, which is inconsistent with the prescribed basis of accounting that demonstrates compliance with the modified cash basis used by Warren County Fiscal Court to prepare its financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, based on the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the discretely presented component units of the Warren County Fiscal Court, which include the Southern Kentucky Performing Arts Center, Inc., the Inter-Modal Transportation Authority, Inc., and the South Central Kentucky Regional Development Authority, been prepared using the same basis of accounting as Warren County Fiscal Court, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Warren County, Kentucky, as of June 30, 2004, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2006 on our consideration of Warren County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 3, 2006

WARREN COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Michael O. Buchanon	County Judge/Executive
James T. Kaelin	Magistrate
Cedric Burnam	Magistrate
Eddie Beck	Magistrate
Thomas Hunt	Magistrate
Terry W. Young	Magistrate
Robert Donoho	Magistrate

Other Elected Officials:

Amy Milliken	County Attorney
Jackie Strode	Jailer
Dorothy Owens	County Clerk
Pat Howell Goad	Circuit Court Clerk
Jerry Gaines	Sheriff
William Carter	Property Valuation Administrator
Kevin Kirby	Coroner

Appointed Personnel:

Jerry Pearson	County Treasurer
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MICHAEL O. BUCHANON

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WARREN COUNTY JUDGE EXECUTIVE

FAX: (270) 781-2777

Management's Discussion and Analysis June 30, 2004

The financial management of Warren County, Kentucky offers readers of Warren County's financial statements this narrative overview and analysis of the financial activities of Warren County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Warren County had net assets of \$44,932,000 as of June 30, 2004. The fiscal court had unrestricted net assets of \$4,969,653 in the governmental activities as of June 30, 2004. In the business-type activities, cash and cash equivalents were \$125,272 with total net assets of \$131,249.
- The governmental activities' total net assets decreased by \$3,176,424 from the prior year. This decrease is primarily due to expenditures from the Parks Construction Bond Fund.
- At the close of the current fiscal year, Warren County governmental funds reported current assets of \$6,767,192. Of this amount, \$6,767,192 is available for spending at the government's discretion (unreserved fund balance).
- Warren County's total indebtedness at the close of fiscal year June 30, 2004 was \$50,738,949, of which \$49,302,897 is long-term (due after 1 year) and \$1,436,052 is short-term (to be paid within 1 year). Debt additions were \$1,600,000, and debt reductions were \$1,418,701 for a net increase of \$181,299 for the year. This increase was due to the issuance of General Obligation Improvement Bonds, Series 2004, for Public Parks and Courthouse improvements.

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Warren County's basic financial statements. Warren County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of Warren County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Warren County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Warren County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Warren County's governmental activities include general government, protection to persons and property, roads, recreation, social services, airport, debt service, capital projects, and administration. Warren County has one business type activity - Jail Canteen.

The government-wide financial statements include not only Warren County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Warren County has three such entities described as major Discretely Presented Component Units, they are:

Southern Kentucky Performing Arts Center, Incorporated
Inter-Modal Transportation Authority, Incorporated
South Central Kentucky Regional Development Authority

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Warren County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Warren County can be divided into three broad categories: *governmental, proprietary, and fiduciary*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Governmental Funds. (Continued)

Because of focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Warren County maintains (13) thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road and Bridge Fund
- Jail Fund
- County Bond Sinking Fund
- Justice Center Expansion Corporation Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- Grant Fund
- Park Enterprise Fund
- Emergency 9-1-1 Fund
- Federal Drug Forfeiture Fund
- Park Construction Bond Fund
- General Obligation Bond Fund
- Regional Jail Corporation Fund

Warren County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road and Bridge Fund, and Jail Fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Fiduciary Funds Financial Statements. These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary funds are the Utility Tax Fund and Jail Inmate Fund.

Component Units Financial Statements. As mentioned above, Component Units are operations for which the County has some financial accountability, but also have certain independent qualities as well. Component Units operate similarly to private sector businesses. The government-wide financial statements present information for the component units in aggregate within a single column of the statement of net assets. Also, information on the statement of activities is aggregated for component units. The combining statements of net assets and the combining statement of activities provide details for each component unit.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Warren County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Current and other assets	\$ 9,738,763	\$ 6,767,192	\$ 110,257	\$ 125,272	\$ 9,849,020	\$ 6,892,464
Net Capital Assets						
Assets	88,796,062	88,772,508	9,646	5,977	88,805,708	88,778,485
Total Assets	<u>98,534,825</u>	<u>95,539,700</u>	<u>119,903</u>	<u>131,249</u>	<u>98,654,728</u>	<u>95,670,949</u>
Liabilities						
Current and other Liabilities		1,436,052				1,436,052
Long-term Liabilities	50,557,650	49,302,897			50,557,650	49,302,897
Total Liabilities	<u>50,557,650</u>	<u>50,738,949</u>			<u>50,557,650</u>	<u>50,738,949</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	38,238,412	38,033,559	9,646	5,977	38,248,058	38,039,536
Restricted	2,868,313	1,797,539			2,868,313	1,797,539
Unrestricted	6,870,450	4,969,653	110,257	125,272	6,980,707	5,094,925
Total Net Assets	<u>\$47,977,175</u>	<u>\$44,800,751</u>	<u>\$ 119,903</u>	<u>\$ 131,249</u>	<u>\$48,097,078</u>	<u>\$44,932,000</u>

Changes in Net Assets.

Table 2
Warren County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Program Revenues						
Charges for						
Services	\$ 5,086,462	\$ 5,459,647	\$ 366,545	\$ 238,780	\$ 5,453,007	\$ 5,698,427
Grants &						
Contributions	6,279,328	7,744,027			6,279,328	7,744,027
General Revenues						
Taxes	7,275,536	7,986,172			7,275,536	7,986,172
Miscellaneous						
& Other	1,906,036	1,872,208	748	642	1,906,784	1,872,850
Total Revenue	20,547,362	23,062,054	367,293	239,422	20,914,655	23,301,476
Expenses						
General						
Government	6,936,874	6,988,197			6,936,874	6,988,197
Protection to						
Persons &						
Property	5,522,430	5,836,007			5,522,430	5,836,007
General Health						
and Sanitation	1,592,525	1,639,762			1,592,525	1,639,762
Social Services	447,935	512,805			447,935	512,805
Recreation and						
Culture	1,311,362	1,974,140			1,311,362	1,974,140
Roads	4,463,166	4,752,786			4,463,166	4,752,786
Airports	140,392	140,392			140,392	140,392
Road Facilities	2,878	3,213			2,878	3,213
Debt Service	2,487,659	2,652,217			2,487,659	2,652,217
Capital Projects	1,054,143	1,738,959			1,054,143	1,738,959
Jail Canteen			403,082	228,076	403,082	228,076
Total Expenses	23,959,364	26,238,478	403,082	228,076	24,362,446	26,466,554
Change In Net						
Assets	(3,412,002)	(3,176,424)	(35,789)	11,346	(3,447,791)	(3,165,078)
Net Assets -						
Beginning	51,389,177	47,977,175	155,692	119,903	51,544,869	48,097,078
Net Assets -						
Ending	<u>\$47,977,175</u>	<u>\$44,800,751</u>	<u>\$ 119,903</u>	<u>\$ 131,249</u>	<u>\$48,097,078</u>	<u>\$44,932,000</u>

Changes in Net Assets. (Continued)

Governmental Activities. Warren County's net assets decreased by \$3,176,424 during the fiscal year ended June 30, 2004. Key elements of this are as follows:

- Current assets and cash decreased \$2,971,571, due to expenditures from Parks Construction Bond Fund.
- Investment in capital assets and infrastructure, net of related debt decreased \$204,853 primarily due to depreciation expense.
- Current and long-term liabilities increased by \$181,299, due to additional debt.

Business-type Activities. Warren County's net assets increased by \$11,346 during the fiscal year ended June 30, 2004. Key elements are as follows:

- Current assets and cash increased by \$15,015.
- Investment in capital decreased by \$3,669 due to depreciation expense.

Financial Analysis of the County's Funds. As noted earlier, Warren County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview. The focus of Warren County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2004 fiscal year, the combined ending fund balances of County governmental funds were \$6,767,192, which consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds.

The County has (5) five major governmental, and (8) non-major funds.

Major Funds

- General Fund
- Road and Bridge Fund
- Jail Fund
- County Bond Sinking Fund
- Justice Center Expansion Corporation

Non-major Funds

- Local Government Economic Assistance Fund
- Grant Fund
- Park Enterprise Fund
- Emergency 9-1-1 Fund
- Federal Drug Forfeiture Fund
- Park Construction Bond Fund
- General Obligation Bond Fund
- Regional Jail Corporation

Financial Analysis of the County's Funds. (Continued)

Governmental Funds Overview. (Continued)

1. The General Fund is the chief operating fund of Warren County. At the end of the June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$4,419,451, which was the total fund balance. The County received \$7,606,114 in real and personal property, motor vehicle, and other taxes for approximately 60% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 40% of revenues.
2. The Road and Bridge Fund is the fund related to County road and bridge construction and maintenance. The Road and Bridge Fund had a \$166,001 fund balance at June 30, 2004. The fiscal year 2004 expenditures for Road and Bridge Fund were \$2,794,439.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a balance at June 30, 2004 of \$125,068. The Jail Fund received \$4,007,026 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$400,000 to the jail operations.
4. The County Bond Sinking Fund had a fund balance of \$1,072,113 as of June 30, 2004, for the construction of the new regional parks and courthouse renovations. These funds are restricted for parks construction and courthouse renovations.
5. The Justice Center Expansion Corporation had a fund balance of \$338,593 as of June 30, 2004. These funds are restricted for debt reduction.
6. The Local Government Economic Assistance Fund had a fund balance of \$47,439 as of June 30, 2004, a decrease of \$544,315 over the previous fiscal year end.
7. The Grant Fund had a balance of \$0 as of June 30, 2004 and is used to account for federal or state monies received.
8. The Park Enterprise Fund had a fund balance of \$134,949 as of June 30, 2004.
9. The Emergency 9-1-1 Fund accounts for the operation of the City/County emergency operations communications. The Fund had a fund balance of \$42,093 at the end of June 30, 2004 fiscal year. Tax revenue from telephone and cell phones for the fiscal year was \$380,058. These funds are used to retire bonds and the operations of 9-1-1.
10. The Federal Drug Forfeiture Fund had a fund balance of \$34,652 as of June 30, 2004. The funds are restricted, and can only be used as directed by approved budgeted appropriation.
11. The Park Construction Bond Fund had a fund balance of \$0 as of June 30, 2004. Expenditures for the construction of the new regional parks during the fiscal year ended June 30, 2004 were \$1,702,422. These funds are restricted for parks construction only.
12. The General Obligation Bond Fund had a balance of \$459 as of June 30, 2004. This is a decrease of \$25,759 from June 30, 2003. These funds are restricted for debt reduction.
13. The Regional Jail Corporation as of June 30, 2004, had a fund balance of \$386,374. These funds are restricted for debt reduction.

Financial Analysis of the County's Funds. (Continued)

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Warren County has (1) one enterprise-type proprietary fund, it is:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets as of June 30, 2004, amounted to \$125,272 and total net assets were \$131,249.

General Fund Budgetary Highlights. Warren County's budget was amended during the fiscal year increasing the budgeted amount by \$1,930,396. Budget amendments were made to various expenditures due to grants awarded in the fiscal year, surplus cash carried forward, and an increase in actual tax revenue.

Actual revenues of the General Fund were \$2,128,890 short of the budget. This variance was due to Intergovernmental Revenue and Interest Income. Expenditures on some grants were not reimbursed until after the end of the fiscal year, and the interest on investments remains depressed. The County had unanticipated expenditures due to the failure of Kentucky legislators enacting a budget.

Capital Assets and Debt Administration.

Capital Assets. Warren County's investment in capital assets for its government and business type activities as of June 30, 2004, amount to \$88,778,485 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, construction in progress for park improvements, and old jail improvement. Warren County has elected to report infrastructure assets in accordance with the provisions of GASB 34.

Major capital asset events during the fiscal year ended June 30, 2004 included the continued construction of (3) three new parks, renovation of the old jail for use as office space, and the purchase of several vehicles and trailers.

Capital Assets and Debt Administration. (Continued)

Additional information of the County's capital assets can be found in Note 5 of this report.

Table 3
Warren County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Infrastructure						
Assets	\$ 36,575,173	\$ 33,969,765	\$	\$	\$ 36,575,173	\$ 33,969,765
Land	4,625,184	4,689,684			4,625,184	4,689,684
Construction						
In Progress	9,196,790	11,209,678			9,196,790	11,209,678
Buildings	35,569,731	35,739,900			35,569,731	35,739,900
Other						
Equipment	630,487	666,517			630,487	666,517
Land						
Improvements		28,990				28,990
Vehicles &						
Equip.	2,198,697	2,467,974	9,646	5,977	2,208,343	2,473,951
Total Net						
Capital Assets	<u>\$ 88,796,062</u>	<u>\$ 88,772,508</u>	<u>\$ 9,646</u>	<u>\$ 5,977</u>	<u>\$ 88,805,708</u>	<u>\$ 88,778,485</u>

Long-Term Debt. At the end of the fiscal year ended June 30, 2004, Warren County had total bonded debt outstanding of \$50,738,949. The totals are as follows: General Obligation Bonds \$22,055,000; Public Projects Revenue Bonds \$2,735,000; Lease Revenue Bonds \$225,000; and First Mortgage Revenue Bonds \$25,330,000. The County has (3) three leases totaling \$393,949.

Financing Obligations. The County has a total of \$3,465 in various short-term leases.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the budget for the fiscal year ending June 30, 2005:

- Economic factors indicate continued growth for Warren County. The Inter-Modal Transportation Authority, Inc. secured a manufacturing plant that will employ approximately one thousand people, and has generated interest in other potential prospects. Manufacturing, Business, and Housing continue to expand. The unemployment rate is one of the lowest in the state.

Requests For Information. This financial report is designed to provide a general overview of Warren County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Warren County Treasurer, 429 East 10th Street, Second Floor, Bowling Green, KY 42101.

Questions concerning the audit reports of the Southern Kentucky Performing Arts Center, Inc., the Inter-Modal Transportation Authority, Inc., and the South Central Kentucky Regional Development Authority should be addressed to Warren County Treasurer, 429 East 10th Street, Second Floor, Bowling Green, KY 42101.

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WARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

WARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Current Assets:				
Cash and Cash Equivalents -				
Unrestricted	\$ 6,667,192	\$ 125,272	\$ 6,792,464	\$ 1,590,126
Restricted for Revenue Bond and Revenue and Bond Anticipation Notes Trustee Accounts				613,773
Investments	100,000		100,000	3,953,410
Rent Receivable				6,618
Prepaid Items				18,357
Rental Deposits (Restricted)				3,650
Total Current Assets	6,767,192	125,272	6,892,464	6,185,934
Noncurrent Assets:				
Cash and Cash Equivalents -				
Restricted for Revenue Bond and Revenue and Bond Anticipation Notes Trustee Accounts				8,341,177
Land Held For Development				10,935,216
Debt Issuance Costs				153,068
Capital Assets -				
Construction In Progress	11,209,678		11,209,678	
Land	4,689,684		4,689,684	2,031,775
Buildings	38,803,320		38,803,320	
Other Equipment	1,070,101		1,070,101	17,710
Land Improvements	32,510		32,510	
Vehicles and Equipment	5,055,403	49,981	5,105,384	63,378
Web-Site Development Costs				13,750
Infrastructure Assets	103,393,214		103,393,214	
Less: Accumulated Depreciation	(75,481,402)	(44,004)	(75,525,406)	(53,775)
Total Capital Assets - Net of Accumulated Depreciation	88,772,508	5,977	88,778,485	2,072,838
Total Noncurrent Assets	88,772,508	5,977	88,778,485	21,502,299
Total Assets	95,539,700	131,249	95,670,949	27,688,233

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
LIABILITIES				
Current Liabilities:				
General Obligation Bonds Payable	\$ 565,000	\$	\$ 565,000	\$
Revenue Bonds Payable	740,000		740,000	
Financing Obligations Payable	131,052		131,052	
Accounts Payable and Contracts Payable				465,316
Retainage Payable				39,687
Accrued Interest Payable				168,850
Rental Deposits				3,650
Other Current Liabilities				3,261
Total Current Liabilities	1,436,052		1,436,052	680,764
Noncurrent Liabilities:				
General Obligation Bonds Payable	21,490,000		21,490,000	
Revenue Bonds Payable	27,550,000		27,550,000	13,396,744
Financing Obligations Payable	262,897		262,897	
Revenue and Bond Anticipation Notes Payable				4,656,969
Total Noncurrent Liabilities	49,302,897		49,302,897	18,053,713
Total Liabilities	50,738,949		50,738,949	18,734,477
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	38,033,559	5,977	38,039,536	2,072,838
Restricted For:				
Capital Projects	1,072,113		1,072,113	
Debt Service	725,426		725,426	
Grant Projects				4,134,701
Unrestricted	4,969,653	125,272	5,094,925	2,746,217
Total Net Assets	\$ 44,800,751	\$ 131,249	\$ 44,932,000	\$ 8,953,756

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

WARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 6,988,197	\$ 1,179,094	\$ 3,013,995	\$
Protection to Persons and Property	5,836,007	4,135,932	1,923,575	
General Health and Sanitation	1,639,762		197,786	
Social Services	512,805			
Recreation and Culture	1,974,140	144,621		
Roads	4,752,786		2,608,671	
Airports	140,392			
Road Facilities	3,213			
Debt Service	2,652,217			
Capital Projects	1,738,959			
Total Governmental Activities	26,238,478	5,459,647	7,744,027	
Business-type Activities:				
Jail Canteen	228,076	238,780		
Total Business-type Activities	228,076	238,780		
Total Primary Government	\$ 26,466,554	\$ 5,698,427	\$ 7,744,027	\$
Component Units:				
Southern Kentucky Performing Arts Center, Inc.	\$ 324,429	\$	\$	\$
Inter-Modal Transportation Authority, Inc.	2,921,259	2,670,070		
South Central Kentucky Regional Development Auth	5,426,938	5,787,370		
Total Component Units	\$ 8,672,626	\$ 8,457,440		\$
General Revenues:				
Taxes:				
Real Property Taxes				
Personal Property Taxes				
Motor Vehicle Taxes				
Other Taxes				
Excess Fees				
Unrestricted Investment Earnings				
Gain on Capital Assets Sold				
Miscellaneous Revenues				
Contributions Not Restricted To Specific Prog				
Realized/Unrealized Gains (Losses) - Net				
Accrued Interest Received				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning (Restated)				
Net Assets - Ending				

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (2,795,108)	\$	\$ (2,795,108)	\$
223,500		223,500	
(1,441,976)		(1,441,976)	
(512,805)		(512,805)	
(1,829,519)		(1,829,519)	
(2,144,115)		(2,144,115)	
(140,392)		(140,392)	
(3,213)		(3,213)	
(2,652,217)		(2,652,217)	
(1,738,959)		(1,738,959)	
(13,034,804)		(13,034,804)	
	10,704	10,704	
	10,704	10,704	
(13,034,804)	10,704	(13,024,100)	
			(324,429)
			(251,189)
			360,432
			(215,186)
4,812,624		4,812,624	
779,699		779,699	
786,627		786,627	
1,607,222		1,607,222	
846,687		846,687	
125,150	642	125,792	244,314
475		475	
897,137		897,137	6,033
am			1,600
			(147,149)
2,759		2,759	
9,858,380	642	9,859,022	104,798
(3,176,424)	11,346	(3,165,078)	(110,388)
47,977,175	119,903	48,097,078	9,064,144
\$ 44,800,751	\$ 131,249	\$ 44,932,000	\$ 8,953,756

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WARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

WARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road And Bridge Fund	Jail Fund	County Bond Sinking Fund
ASSETS				
Cash and Cash Equivalents	\$ 4,319,451	\$ 166,001	\$ 125,068	\$ 1,072,113
Investments	100,000			
Total Assets	<u>\$ 4,419,451</u>	<u>\$ 166,001</u>	<u>\$ 125,068</u>	<u>\$ 1,072,113</u>
FUND BALANCES				
Fund Balances:				
Unreserved:				
General Fund	\$ 4,419,451	\$	\$	\$
Special Revenue Funds		166,001	125,068	
Capital Projects Fund				1,072,113
Debt Service Funds				
Total Fund Balances	<u>\$ 4,419,451</u>	<u>\$ 166,001</u>	<u>\$ 125,068</u>	<u>\$ 1,072,113</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

Justice Center Expansion Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$ 338,593	\$ 645,966	\$ 6,667,192
		100,000
<u>\$ 338,593</u>	<u>\$ 645,966</u>	<u>\$ 6,767,192</u>

\$	\$	\$ 4,419,451
	259,133	550,202
		1,072,113
<u>338,593</u>	<u>386,833</u>	<u>725,426</u>
<u>\$ 338,593</u>	<u>\$ 645,966</u>	<u>\$ 6,767,192</u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 6,767,192
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Governmental Funds	164,253,910
Accumulated Depreciation	(75,481,402)
Long-term Debt Is Not Due and Payable In The Current Period and, Therefore, Is Not Reported in the Governmental Funds:	
General Obligation Bonds Principal	(22,055,000)
Revenue Bonds Principal	(28,290,000)
Financing Obligations Principal	(393,949)
Net Assets Of Governmental Activities	<u>\$ 44,800,751</u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road And Bridge Fund	Jail Fund	County Bond Sinking Fund
REVENUES				
Taxes	\$ 7,492,496	\$	\$	\$
In Lieu Tax Payments	113,618			
Excess Fees	846,687			
Licenses and Permits	1,036,097			
Intergovernmental	2,402,537	1,837,379	4,007,026	
Charges for Services	195,276		442,645	
Miscellaneous	415,793	103,860	418,341	1
Interest	102,422	1,832	2,095	4,496
Total Revenues	<u>12,604,926</u>	<u>1,943,071</u>	<u>4,870,107</u>	<u>4,497</u>
EXPENDITURES				
General Government	4,762,464			
Protection to Persons and Property	1,430,228		3,855,267	
General Health and Sanitation	1,650,076			
Social Services	466,193			
Recreation and Culture	2,534,317			
Roads		1,245,049		
Airports	140,392			
Road Facilities		3,213		
Debt Service	359,460			25,400
Capital Projects	400,047	1,299,244		475,385
Administration	941,206	246,933	682,918	
Total Expenditures	<u>12,684,383</u>	<u>2,794,439</u>	<u>4,538,185</u>	<u>500,785</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(79,457)</u>	<u>(851,368)</u>	<u>331,922</u>	<u>(496,288)</u>
Other Financing Sources (Uses)				
Bond Issuance Proceeds				1,600,000
Discount On Bond Issuance Proceeds				(31,599)
Transfers From Other Funds	596,345	595,000	400,000	
Transfers To Other Funds	(1,461,002)	(15,509)	(862,948)	
Total Other Financing Sources (Uses)	<u>(864,657)</u>	<u>579,491</u>	<u>(462,948)</u>	<u>1,568,401</u>
Net Change in Fund Balances	(944,114)	(271,877)	(131,026)	1,072,113
Fund Balances - Beginning	5,363,565	437,878	256,094	
Fund Balances - Ending	<u>\$ 4,419,451</u>	<u>\$ 166,001</u>	<u>\$ 125,068</u>	<u>\$ 1,072,113</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Justice Center Expansion Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$ 380,058	\$ 7,872,554
		113,618
		846,687
		1,036,097
2,396,700	771,293	11,414,935
		637,921
2,338	72,500	1,012,833
2,370	14,694	127,909
<u>2,401,408</u>	<u>1,238,545</u>	<u>23,062,554</u>
	60,000	4,822,464
	578,874	5,864,369
		1,650,076
	54,012	520,205
	1,707,287	4,241,604
	1,038,182	2,283,231
		140,392
		3,213
2,092,013	1,554,291	4,031,164
		2,174,676
	75	1,871,132
<u>2,092,013</u>	<u>4,992,721</u>	<u>27,602,526</u>
<u>309,395</u>	<u>(3,754,176)</u>	<u>(4,539,972)</u>
		1,600,000
		(31,599)
11,000	1,575,152	3,177,497
(825,570)	(12,468)	(3,177,497)
<u>(814,570)</u>	<u>1,562,684</u>	<u>1,568,401</u>
(505,175)	(2,191,492)	(2,971,571)
843,768	2,837,458	9,738,763
<u>\$ 338,593</u>	<u>\$ 645,966</u>	<u>\$ 6,767,192</u>

The accompanying notes are an integral part of the financial statements.

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**WARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

WARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ (2,971,571)
--	----------------

Amounts Reported for Governmental Activities In The Statement of
 Activities Are Different Because:
 Governmental Funds Report Capital Outlays as Expenditures. However, In The
 Statement of Activities the Cost of Those Assets is Allocated Over Their
 Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	4,051,008
Depreciation Expense	(4,074,062)
Book Value - Sold Capital Asset	(500)

The Issuance of Long-term Debt (e.g. Bonds, Leases) Provides Current
 Financial Resources to Governmental Funds, While Repayment of Principal
 On Long-term Debt Consumes the Current Financial Resources of Governmental
 Funds. These Transactions, However, Have No Effect On Net Assets.

Bond Issuance Proceeds	(1,600,000)
Financing Obligations Principal Payments	123,701
Bonded Debt Principal Payments	<u>1,295,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (3,176,424)</u></u>
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WARREN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

WARREN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 125,272
Total Current Assets	<u>125,272</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	49,981
Less Accumulated Depreciation	<u>(44,004)</u>
Total Noncurrent Assets	<u>5,977</u>
Total Assets	<u>131,249</u>
Fund Net Assets	
Invested in Capital Assets,	
Net of Related Debt	5,977
Unrestricted	<u>125,272</u>
Total Fund Net Assets	<u><u>\$ 131,249</u></u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 238,780
Total Operating Revenues	<u>238,780</u>
Operating Expenses	
Cost of Sales	99,789
Educational and Recreational	64,198
Personnel Costs	50,919
Depreciation	3,669
Miscellaneous	<u>9,501</u>
Total Operating Expenses	<u>228,076</u>
Operating Income (Loss)	<u>10,704</u>
Nonoperating Revenues (Expenses)	
Interest Income	<u>642</u>
Total Nonoperating Revenues (Expenses)	<u>642</u>
Change In Fund Net Assets	11,346
Total Fund Net Assets - Beginning (Resta	<u>119,903</u>
Total Fund Net Assets - Ending	<u><u>\$ 131,249</u></u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 238,780
Cost of Sales	(99,789)
Educational and Recreational	(64,199)
Personnel Costs	(50,919)
Miscellaneous	(9,500)
Net Cash Provided By Operating Activities	<u>14,373</u>
Cash Flows From Investing Activities	
Interest Earned	<u>642</u>
Net Cash Provided By Investing Activities	<u>642</u>
Net Increase in Cash and Cash Equivalents	15,015
Cash and Cash Equivalents - July 1 (Restated)	<u>110,257</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 125,272</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 10,704
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities:	
Depreciation Expense	<u>3,669</u>
Total Cash Provided By Operating Activities	<u><u>\$ 14,373</u></u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS – MODIFIED CASH BASIS

June 30, 2004

WARREN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS - MODIFIED CASH BASIS

June 30, 2004

	<u>Agency Funds</u>	
	<u>Utility Tax Fund</u>	<u>Jail Inmate Fund</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 425,851	\$ 70,840
Total Assets	<u>\$ 425,851</u>	<u>\$ 70,840</u>
Liabilities		
Amounts Held In Custody For Others	\$ 425,851	\$ 70,840
Total Liabilities	<u>\$ 425,851</u>	<u>\$ 70,840</u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2004

WARREN COUNTY
STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2004

	Southern Kentucky Performing Arts Center, Inc.	Inter-Modal Transportation Authority, Inc.	South Central Kentucky Regional Development Authority	Totals
Assets				
Current Assets:				
Cash and Cash Equivalents -				
Unrestricted	\$ 181,291	\$ 1,408,835	\$	\$ 1,590,126
Restricted for Revenue Bond and Revenue and Bond Anticipation Notes Trustee Accounts		613,408	365	613,773
Investments	3,953,410			3,953,410
Rent Receivable		6,618		6,618
Prepaid Items		18,357		18,357
Rental Deposits (Restricted)		3,650		3,650
Total Current Assets	<u>4,134,701</u>	<u>2,050,868</u>	<u>365</u>	<u>6,185,934</u>
Noncurrent Assets:				
Cash and Cash Equivalents -				
Restricted for Revenue Bond and Revenue and Bond Anticipation Notes Trustee Accounts		8,341,177		8,341,177
Land Held For Development		10,935,216		10,935,216
Debt Issuance Costs		153,068		153,068
Capital Assets:				
Land and Improvements	2,031,775			2,031,775
Other Equipment		17,710		17,710
Vehicles and Equipment		63,378		63,378
Web-Site Development Costs		13,750		13,750
Less: Accumulated depreciation		(53,775)		(53,775)
Total Capital Assets - Net of Accumulated Depreciation	<u>2,031,775</u>	<u>41,063</u>		<u>2,072,838</u>
Total Noncurrent Assets	<u>2,031,775</u>	<u>19,470,524</u>		<u>21,502,299</u>
Total Assets	<u>6,166,476</u>	<u>21,521,392</u>	<u>365</u>	<u>27,688,233</u>

The accompanying notes are an integral part of the financial statements

WARREN COUNTY
STATEMENT OF NET ASSETS - COMPONENT UNITS
June 30, 2004
(Continued)

	Southern Kentucky Performing Arts Center, Inc.	Inter-Modal Transportation Authority, Inc.	South Central Kentucky Regional Development Authority	Totals
Liabilities				
Current Liabilities:				
Accounts Payable and Contracts Payable	\$	\$ 465,316	\$	\$ 465,316
Retainage Payable		39,687		39,687
Accrued Interest Payable		168,850		168,850
Rental Deposits		3,650		3,650
Other Current Liabilities		3,261		3,261
Total Current Liabilities		680,764		680,764
Noncurrent Liabilities:				
Revenue Bonds Payable (Net of Unamortized Discounts)		13,396,744		13,396,744
Revenue and Bond Anticipation Notes Payable (Net of Unamortized Deferred Amount On Refunding)		4,656,969		4,656,969
Total Noncurrent Liabilities		18,053,713		18,053,713
Total Liabilities		18,734,477		18,734,477
Net Assets				
Invested in Capital Assets	2,031,775	41,063		2,072,838
Restricted for Grant Projects	4,134,701			4,134,701
Unrestricted		2,745,852	365	2,746,217
Total Net Assets	\$ 6,166,476	\$ 2,786,915	\$ 365	\$ 8,953,756

The accompanying notes are an integral part of the financial statements

WARREN COUNTY
STATEMENT OF ACTIVITIES - COMPONENT UNITS

For The Year Ended June 30, 2004

WARREN COUNTY
STATEMENT OF ACTIVITIES - COMPONENT UNITS

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Expenses	Program Revenues Received			Net (Disbursements) Receipts and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units
Southern Kentucky Performing Arts Center, Inc.	\$ 324,429		\$	\$	\$ (324,429)
Inter-Modal Transportation Authority, Inc.	2,921,259	2,670,070			(251,189)
South Central Kentucky Regional Development Authority	5,426,938	5,787,370			360,432
Realized/Unrealized Gains (Losses) - Net	147,149				(147,149)
Total Component Units	<u>\$ 8,819,775</u>	<u>\$ 8,457,440</u>	<u>\$</u>	<u>\$</u>	<u>(362,335)</u>
General Revenues:					
Unrestricted Investment Earnings					244,314
Contributions Not Restricted To Specific Program					1,600
Miscellaneous Revenues					<u>6,033</u>
Total General Revenues and Transfers					<u>251,947</u>
Change in Net Assets					<u>(110,388)</u>
Net Assets - Beginning (Restated)					<u>9,064,144</u>
Net Assets - Ending					<u>\$ 8,953,756</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The management of Warren County Fiscal Court presents its government-wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Receivables are recognized on the Statement of Net Assets, but receivables are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances). The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

Management of the discretely presented component units of the Warren County Fiscal Court, which include the Southern Kentucky Performing Arts Center, Inc., the Inter-Modal Transportation Authority, Inc., and the South Central Kentucky Regional Development Authority, present their government-wide and fund financial statements utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The discretely presented component units have adopted the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when incurred. The funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the Statement of Net Assets.

B. Reporting Entity

The financial statements of Warren County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Audited financial statements for the discretely presented component units of the Warren County Fiscal Court, which include the Southern Kentucky Performing Arts Center, Inc., the Inter-Modal Transportation Authority, Inc., and the South Central Kentucky Regional Development Authority, may be requested by contacting the Warren County Treasurer, 429 East 10th Street, Second Floor, Bowling Green, KY 42101.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units

Warren County Regional Jail Corporation

The Warren County Fiscal Court appoints a voting majority of the Regional Jail Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Regional Jail Corporation. Financial information for the Warren County Regional Jail Corporation is blended within Warren County's financial statements.

Warren County Justice Center Expansion Corporation

Warren County Fiscal Court must approve issue of bonded debt for the Justice Center Expansion Corporation; therefore, the Justice Center Expansion Corporation is fiscally dependent. In addition, the fiscal court leases the justice center from the Justice Center Expansion Corporation for the amount of the bond payments. Financial information for the Warren County Justice Center Expansion Corporation is blended within Warren County's financial statements.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the data of the following organizations. They are reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the Fiscal Court's primary government.

Southern Kentucky Performing Arts Center, Inc.

The Southern Kentucky Performing Arts Center, Inc. (SKyPAC) was created under the provisions of KRS 273.161 through 273.390 and 58.180 for the purpose of performance of public, civic and governmental activities in Warren County, Kentucky. SKyPAC acts as the agent and instrumentality and the constituted authority of Warren County in the acquisition and financing of public projects and public facilities which includes among other things, public buildings and educational facilities; and in conjunction with Western Kentucky University, to organize, study, develop, implement, acquire and finance public facilities for facilitating the construction and maintenance of a fine arts and educational facility. SKyPAC is governed by no less than 10 directors and no more than 25 directors of the board. All of SKyPAC's Board of Directors are appointed by the Warren County Judge/Executive subject to the approval of the Warren County Fiscal Court. SKyPAC can provide a financial benefit to or impose a financial burden on the Warren County Fiscal Court. Financial information for SKyPAC is presented discretely within Warren County's financial statements.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Inter-Modal Transportation Authority, Inc.

The Inter-Modal Transportation Authority, Inc. (ITA) was incorporated by the Warren County Fiscal Court as a non-stock, non-profit corporation pursuant to KRS 273.161 through 273.390 and 58.180. The ITA's primary purpose is the design, promotion and construction of a multi-modal commerce and distribution center and industrial park in the Warren County area. The ITA was created for the purpose of financing public projects on behalf of Warren County Fiscal Court. ITA is governed by a 24-member board of directors appointed by the Warren County Judge/Executive. The Fiscal Court exercises organizational control over the ITA and retains the authority to alter or change the structure, organization, programs or activities of the ITA, including the power to terminate its existence. In the event the ITA is dissolved, title to and ownership of all of its properties shall vest in the Fiscal Court. The ITA may not issue bonds, notes, or other obligations without the approval of the Fiscal Court.

South Central Kentucky Regional Development Authority

The South Central Kentucky Regional Development Authority (RDA) was established by the Warren County Fiscal Court pursuant to KRS 154.50-301 through 154.50-346. The RDA was created and organized by the Fiscal Court as a non-profit, industrial development authority for the purpose of financing the acquisition of real estate, pending the issuance of revenue bonds by the Inter-Modal Transportation Authority, Inc. The RDA is governed by six members appointed by the Warren County Judge/Executive. The Fiscal Court exercises organizational control over the RDA and retains the authority to alter or change the structure, organization, programs, or activities of the RDA, including the power to terminate its existence.

C. Warren County Constitutional Elected Officials

Kentucky law provides for election of the below officials from the geographic area constituting Warren County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the Fiscal Court. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

County Bond Sinking Fund - The purpose of this fund is to account for funds received from a bond issuance. The funds may be used for completing major public parks development and courthouse renovations. This is a new fund for the fiscal year ended June 30, 2004.

Justice Center Expansion Corporation Fund - The Justice Center Expansion Corporation Fund accounts for the activities of the Justice Center Expansion Corporation, a blended component unit of the Fiscal Court. The Justice Center Expansion Corporation issued debt to build facilities and additions of the justice center. The Justice Center Expansion Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Grant Fund, Park Enterprise Fund, Emergency 911 Fund, Federal Drug Forfeiture Fund, Park Construction Bond Fund, General Obligation Bond Fund, and Regional Jail Corporation Fund.

In the prior year audit report, the Park Construction Bond Fund, the General Obligation Bond Fund, and the Regional Jail Corporation Fund were presented as major funds based on management's decision and the GASB 34 reporting requirements described above. In the current year report, these funds did not meet the reporting requirements for major fund designation, and management did not elect to present the funds as major. They are included in the current year report as non-major funds.

Special Revenue Funds:

The Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Grant Fund, Park Enterprise Fund, Emergency 911 Fund, and Federal Drug Forfeiture Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The County Bond Sinking Fund and Park Construction Bond Fund are presented as capital projects funds. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Debt Service Fund:

The Justice Center Expansion Corporation Fund, General Obligation Bond Fund and Regional Jail Corporation are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Utility Tax Fund and Jail Inmate Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

Utility Tax Fund - This fund accounts for funds received from utility companies and remitted to the local school boards.

Jail Inmate Fund - This fund accounts for funds received from jail inmates and remitted for jail commissary expenses, booking fees, or returned to the jail inmate. This is a new fund for the fiscal year ended June 30, 2004.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Presentation of Component Units

Detailed presentation of the financial statements for the major discretely presented component units of the Warren County Fiscal Court, which include Southern Kentucky Performing Arts Center, Inc., Inter-Modal Transportation Authority, Inc., and South Central Kentucky Regional Development Authority, are available from the separately issued financial statements of these component units

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

Southern Kentucky Performing Arts Center, Inc., a discretely presented component unit of the Warren County Fiscal Court, records donated capital assets at estimated fair value at the date of donation.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

Interest costs of the Inter-Modal Transportation Authority, Inc., a discretely presented component unit of the Warren County Fiscal Court, are capitalized on debt where proceeds are used to finance land acquisition and development costs. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Bond and note issuance costs, bond discounts, and the difference between the requisition price and the net carrying value of refunded debt of the Inter-Modal Transportation Authority, Inc. and the South Central Kentucky Regional Development Authority, discretely presented component units of the Warren County Fiscal Court, are capitalized and amortized over the terms of the respective bonds and notes using a method that approximates the effective interest method.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Use Of Estimates

The preparation of financial statements of the discretely presented component units of Warren County Fiscal Court in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported revenues and expenses during the reported period. Actual results could differ from those estimates.

J. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

K. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointments. Based on these criteria, the following are considered related organizations of Warren County Fiscal Court: Animal Control Board, Codes Enforcement Board, Industrial Development Authority, and Warren County Water District.

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based upon these criteria, the following is considered a joint venture of the Warren County Fiscal Court:

Joint City-County Planning Commission

The Warren County Fiscal Court has retained an ongoing financial responsibility for the Joint City-County Planning Commission (Planning Commission). The Planning Commission is a joint venture between Fiscal Court and Cities of Bowling Green, Plum Springs, Smiths Grove, Woodburn, and Oakland to assist and promote the orderly development of the county and cities. The Fiscal Court and City of Bowling Green are each responsible for fifty percent of the basic administration included in the budget of the Planning Commission. During fiscal year 2004, the Fiscal Court paid the Planning Commission \$380,660.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

K. Related Organizations, Joint Venture, and Jointly Governed Organizations (Continued)

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following are considered jointly governed organizations of the Warren County Fiscal Court: Bowling Green-Warren County Regional Airport Board, Joint City-County Board of Adjustment, Contractors Licensing Board, Depot Development Authority, Design Review Board, Historic Preservation Board, Bowling Green Area Convention and Visitors Bureau, Military Liaison Board, and Bowling Green-Warren County Greenbelt Advisory Committee.

L. Interfund Transactions

The Warren County Fiscal Court has the following type of interfund transactions:

Interfund Transfers - Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. The composition of the interfund transfers is presented in Note 6. Note that at the entity-wide level, the interfund transfers have been eliminated. This is to avoid revenues and expenses from being reported more than once.

M. Revenues – Exchange and Non-exchange Transactions

Revenues of the Southern Kentucky Performing Arts Center, Inc. (SKyPAC), a discretely presented component unit of the Warren County Fiscal Court, resulting from exchange transactions are where each party receives equal value. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For SKyPAC, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which SKyPAC received value without directly giving equal value in return, include grants, entitlement and donations. On the modified accrual basis, revenue from grants, entitlement and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which SKyPAC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to SKyPAC on a reimbursement basis. Revenues from non-exchange transactions must also be available before it can be recognized.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits and Investments

A. Deposits

The primary government and its discretely presented component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The primary government and its discretely presented component units follow the requirements of KRS 41.240(4) and do not have a deposit policy for custodial risk. As of June 30, 2004, the bank balances were exposed to custodial credit risk follows:

	Warren County Fiscal Court Bank Balance	Discretely Presented Component Units Bank Balance
FDIC Insured:		
Warren County Fiscal Court	\$ 1,509,102	\$
Southern Kentucky Performing Arts Center, Inc.		100,000
Inter-Modal Transportation Authority, Inc.		200,000
Uninsured and collateral held by pledging financial institution:		
Warren County Fiscal Court	4,697,840	
Inter-Modal Transportation Authority, Inc.		1,218,671
Uninsured and uncollateralized:		
Warren County Fiscal Court	540	
Southern Kentucky Performing Arts Center, Inc.		81,291
Total	<u>\$ 6,207,482</u>	<u>\$ 1,599,962</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments

As of June 30, 2004, the primary government and the South Central Kentucky Performing Arts Center, Inc., its discretely presented component unit, had the following investments and maturities:

Warren County Fiscal Court

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal Home Loan Bank	AAA	10/15/2018	\$ 99,313
Totals			<u>\$ 99,313</u>

South Central Kentucky Performing Arts Center, Inc.

<u>Investments</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash	N/A	On Demand	\$ 69,501
Money Market Account	N/A	On Demand	142,597
Easygrowth Treas	N/A	11/15/2004	15,896
Federal Home Loan Mortgage Corp	AAA	11/24/2006	302,439
Federal Home Loan Mortgage Corp	AAA	09/17/2014	50,078
Federal Home Loan Mortgage Corp	AAA	07/12/2006	25,019
Federal Home Loan Bank Ser BR05	AAA	07/27/2005	20,938
Federal Home Loan Bank Ser E106	AAA	09/25/2006	21,650
Federal Home Loan Bank Mtn	AAA	09/01/2006	\$ 25,253
Federal Home Loan Bank Ser GN04	AAA	07/23/2004	100,313
Federal Home Loan Bank Ser GZ04	AAA	08/20/2004	15,103
Federal Home Loan Bank Ser VW04	AAA	11/24/2004	30,450
Federal Home Loan Bank	AAA	07/20/2009	100,281
Federal Home Loan Bank	AAA	08/25/2009	15,117
Federal Home Loan Bank	AAA	11/15/2004	35,623
Federal Home Loan Bank	AAA	08/13/2004	20,119
Federal Home Loan Bank	AAA	07/26/2006	25,062
Federal Home Loan Bank Ser 8106	AAA	09/29/2006	24,922
Arizona St Transn Brd Excise Tax			
Maricopa Cnty Regl Area Rd-A	AAA	07/01/2004	50,000
Arizona St Transn Brd Excise Tax			
Tav Rev Sub-Maricopa Cnt Regl	AAA	07/01/2004	25,000

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

South Central Kentucky Performing Arts Center, Inc. (Continued)

<u>Investments</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Calumet Cnty WIS General Obligation	A1	09/01/2004	50,085
Carmel In Redev Cnty Optincome	AAA	12/15/2004	40,819
Colorado Springs Colo Utils	AAA	11/15/2007	84,221
Connecticut St Health & EDL FACS			
Taft SCH Issue-Ser F	AA3	07/01/2004	55,000
Covington KY Economic Dev	AAA	12/01/2004	20,443
Dade Cnty FL Aviation Ref-			
Miami Intl Arpt Ser A	AAA	10/01/2004	126,295
Dad Cnty FL Aviation Ser C	AAA	10/01/2024	113,456
FL St Div Bd Fin Dept Genl Svs Ref-			
Dept Environmental	AAA	07/01/2004	25,000
Gilbert Ariz Projs of 1988 Ser C	AAA	07/01/2023	25,250
Hillsborough Cnty FL Cap Impt			
Revenue Bond	AAA	08/01/2017	65,645
Indiana St Housing Fin Single Family			
Mtg Revenue AMT-SER-D-3	AAA	07/01/2004	20,000
Lake Worth FL Water & Electric Ref-Ser A	AAA	10/01/2004	25,096
Lawrence Kans Hosp	BAA1	07/01/2014	25,000
Maine Hlth & Higher Educational Facs			
Auth Ser B	AAA	07/01/2004	20,000
Maricopa Cnty Ariz Indl Dev Auth Health			
Facs Rev BD	AAA	07/01/2015	112,200
Maricopa Cnty Ariz Sch Dist No 11			
Peoria Uni	AAA	07/01/2010	25,250
Maricopa Cnty Ariz Elem Sch Dist #068			
Alhambra Sch Impt	AAA	07/01/2008	102,000
Maricopa Cnty Ariz Sch Dist No 69			
Paradise VY Proj of 1990 Ser E	AAA	07/01/2013	\$ 20,400
Maricopa Cnty Ariz Uni Sch Dist No			
#80 Chandler Projs PF 1995	AAA	07/01/2004	25,000
Massachusetts St Port Auth Ser B	AAA	07/01/2004	90,000
Michigan St Building Authority Revenue			
Ref-Ser I	AA1	10/01/2004	15,188
Montgomery Cnty MD Hsg Opptys			
Connm Multifamily Rev Bond	NR	07/01/2027	61,200

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits and Investments (Continued)

C. Investments (Continued)

South Central Kentucky Performing Arts Center, Inc. (Continued)

<u>Investments</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
New Jersey Health Care Facs Fing Newark Beth Israel Med Ctr	AAA	07/01/2024	20,400
New Jersey Health Care Facs Fing Refunded Rev Bond	AAA	07/01/2010	25,500
New York St Urban Dev Corp Cap	A2	07/01/2006	27,931
Oregon St General Oblig Unltd	AA3	10/01/2004	10,180
Pensacola FLA Gas Ref Revenue	AAA	12/01/2004	25,289
PIMA Cnty Ariz Uni Sch Dist No 1 Tucson Sch Ser D	AAA	07/01/2007	45,000
Pittsburgh PA Urban Redev Auth Taxable-GTD Ser B	AAA	09/01/2004	70,660
Sarasota Cnty FL Ref Ser A	AAA	10/01/2004	100,738
Tempe Ariz Un High Sch Dist No 213 Proj of 1994 Ser C	AAA	07/01/2004	25,000
Tulsa Okla Cmnty College Revenue Bond Student Ctr	AAA	07/01/2004	50,000
Bank One Corp	A1	08/15/2004	350,875
Bear Steams Co	A1	02/01/2005	51,566
Caterpillar Finl Svcs Corp Ser	A2	10/15/2004	25,008
Chevron Corporation	AA2	10/01/2004	13,153
Deere & Co	A3	07/15/2004	35,041
Eaton Corp	A2	11/15/2004	30,522
First Union Corp	AA3	08/15/2004	15,094
General Electric Capital Corp	AAA	02/01/2005	87,445
Home Savings of America	A3	08/15/2004	182,783
Household Finance Corp	A1	08/01/2004	88,394
Household Finance Corp NoIZ	A1	01/15/2005	25,110
International Lease Finance Corp	A1	08/01/2004	25,061
Lehman Bros Hldgs Inc	A1	01/15/2005	32,937
Morgan JP & Co Inc	A1	09/15/2004	40,464
NationsBank Corp	AA3	08/15/2004	63,416
NationsBank Corp	AA2	07/15/2004	\$ 77,090
PPG Inds Inc	A2	08/15/2004	25,141
Pacific Bell SBC	A1	07/15/2004	40,053
Pacific Bell SBC	A2	03/01/2005	20,535
Pepsico Inc	AA3	09/15/2004	10,050
Wells Fargo & Co	AA1	07/15/2004	50,065
Totals			<u>\$ 3,953,410</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits and Investments (Continued)

D. Investments (Continued)

Interest Rate Risk

Warren County Fiscal Court and Southern Kentucky Performing Arts Center, Inc. (SKyPAC), its discretely presented component unit, do not have formal investment policies that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, Warren County Fiscal Court and Southern Kentucky Performing Arts Center, Inc. (SKyPAC), its discretely presented component unit, are authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds. Warren County Fiscal Court has an investment policy that states that no investment may be purchased on a margin basis or through the use of any similar leveraging techniques and that amounts over FDIC or SPIC coverage must be insured or collateralized. SKyPAC has no investment policy that would further limit its investment choices. As of June 30, 2004, Warren County Fiscal Court's investments are in compliance with its investment policy.

Concentration of Credit Risk

Warren County Fiscal Court has an investment policy that limits the amount of money invested at any time in uncollateralized certificates of deposits, banker's acceptances for banks, commercial paper, securities issued by state or local government, and shares in mutual funds to twenty percent of the total amount of money invested by Warren County. All of the Fiscal Court's investments are in Federal Home Loan Bank. Southern Kentucky Performing Arts Center, Inc. (SKyPAC), a discretely presented component unit of Warren County Fiscal Court, places no limit on the amount they may invest in any one issuer. More than 5 percent of SKyPAC's investments are in Federal Home Loan Bank, Federal Home Loan Mortgage, and Bank One Corp. These investments are 11%, 10%, and 9%, respectively, of SKyPAC's total investments.

Note 3. Restricted Assets - Inter-Modal Transportation Authority, Inc.

Certain proceeds of the Inter-Modal Transportation Authority, Inc.'s (ITA), a discretely presented component unit of the Warren County Fiscal Court, revenue bonds and revenue bond and anticipation notes are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. Separate trust accounts are maintained by Wachovia Bank, N.A., trustee for the ITA's Series 2003A and Series 2003D revenue bond issue and by Central Bank & Trust Co., trustee for the ITA's Series 2004 revenue bond and Series 2004 revenue and bond anticipation note issues.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Restricted Assets - Inter-Modal Transportation Authority, Inc. (Continued)

Sinking funds are held and maintained by the trustee as the primary source of payment of the principal and interest on the bonds and notes. Revenue bond acquisition and construction funds are utilized for project development, acquisition and construction costs. Revenue and bond anticipation note acquisition and construction fund monies are expended for costs of the refunding project, the redemption of all of its outstanding \$2,585,000 Revenue Bonds, Series 2003B and \$2,165,000 Revenue Bonds, Series 2003C.

Restricted assets held by trustees consist of the following at June 30, 2004:

	Fiscal Year Ended June 30, 2004
\$2,415,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue Bonds, Series 2003A Sinking Fund	\$ 196,699
\$2,800,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue Bonds, Series 2003D Sinking Fund	194,473
Acquisition and Construction Fund	81
\$8,395,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue Bonds, Series 2004 Sinking Fund	643,199
Acquisition and Construction Fund	7,548,014
\$4,750,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue and Bond Anticipation Notes, Series 2004A Sinking Fund	1,603
Acquisition and Construction Fund	370,516
Total Restricted Assets	<u>\$ 8,954,585</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Restricted Assets - Inter-Modal Transportation Authority, Inc (Continued)

Included in the following balance sheet captions:

Revenue bond and revenue and bond anticipation

note trustee accounts:

Current Assets	\$ 613,408
Noncurrent Assets	<u>8,341,177</u>
Total	<u><u>\$ 8,954,585</u></u>

Note 4. Operating Leases

The Fiscal Court entered into various lease agreements for vehicles to be used by various county departments. The total expense related to these leases was \$59,490 for the fiscal year ended June 30, 2004. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Amount</u>
2005	<u>\$ 3,465</u>
Total Minimum Lease Payments	<u><u>\$ 3,465</u></u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 4,625,184	\$ 82,500	\$ (18,000)	\$ 4,689,684
Construction In Progress	9,196,790	2,184,949	(172,061)	11,209,678
Total Capital Assets Not Being Depreciated	<u>13,821,974</u>	<u>2,267,449</u>	<u>(190,061)</u>	<u>15,899,362</u>
Capital Assets, Being Depreciated:				
Buildings	38,140,186	663,134		38,803,320
Other Equipment	954,746	115,355		1,070,101
Land Improvements		32,510		32,510
Vehicles and Equipment	4,517,375	552,593	(14,565)	5,055,403
Infrastructure	<u>102,783,186</u>	<u>610,028</u>		<u>103,393,214</u>
Total Capital Assets Being Depreciated	146,395,493	1,973,620	(14,565)	148,354,548
Less Accumulated Depreciation For:				
Buildings	\$ (2,570,455)	\$ (492,965)	\$	\$ (3,063,420)
Other Equipment	(324,259)	(79,325)		(403,584)
Land Improvements		(3,520)		(3,520)
Vehicles and Equipment	(2,318,678)	(282,816)	14,065	(2,587,429)
Infrastructure	<u>(66,208,013)</u>	<u>(3,215,436)</u>		<u>(69,423,449)</u>
Total Accumulated Depreciation	<u>(71,421,405)</u>	<u>(4,074,062)</u>	<u>14,065</u>	<u>(75,481,402)</u>
Total Capital Assets, Being Depreciated, Net	<u>74,974,088</u>	<u>(2,100,442)</u>	<u>(500)</u>	<u>72,873,146</u>
Governmental Activities Capital Assets, Net	<u>\$ 88,796,062</u>	<u>\$ 167,007</u>	<u>\$ (190,561)</u>	<u>\$ 88,772,508</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 49,981	\$	\$	\$ 49,981
Total Capital Assets Being Depreciated	49,981			49,981
Less Accumulated Depreciation For:				
Vehicles and Equipment	<u>(40,335)</u>	<u>(3,669)</u>		<u>(44,004)</u>
Total Accumulated Depreciation	<u>(40,335)</u>	<u>(3,669)</u>		<u>(44,004)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,646</u>	<u>(3,669)</u>		<u>5,977</u>
Business-Type Activities Capital Assets, Net	\$ 9,646	\$ (3,669)	\$ 0	\$ 5,977

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 392,378
Protection to Persons and Property	361,689
General Health and Sanitation	6,681
Recreation and Culture	19,142
Roads, Including Depreciation of General Infrastructure Assets	<u>3,294,172</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,074,062</u>

Business-Type Activities

Jail Canteen	<u>\$ 3,669</u>
Total Depreciation Expense - Business Activities	<u>\$ 3,669</u>

Capital asset activity for discretely presented component units of the Warren County Fiscal Court for the year ended June 30, 2004 was as follows:

Discretely presented component units:	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets Not Being Depreciated:				
Land	\$ 1,959,477	\$ 72,298	\$	\$ 2,031,775
Total Capital Assets Not Being Depreciated	<u>1,959,477</u>	<u>72,298</u>		<u>2,031,775</u>
Capital Assets, Being Depreciated:				
Depreciated:				
Other Equipment	13,879	3,831		17,710
Vehicles and Equipment	55,354	8,024		63,378
Web-Site Development Costs	<u>13,750</u>			<u>13,750</u>
Total Capital Assets Being Depreciated	<u>82,983</u>	<u>11,855</u>		<u>94,838</u>
Less Total Accumulated Depreciated:	<u>(37,461)</u>	<u>(16,314)</u>		<u>(53,775)</u>
Total Capital Assets, Being Depreciated, Net	<u>45,522</u>	<u>(4,459)</u>		<u>41,063</u>
Capital Assets, Net	<u>\$ 2,004,999</u>	<u>\$ 67,839</u>	<u>\$ 0</u>	<u>\$ 2,072,838</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the discretely presented major component units of the Warren County Fiscal Court as follows:

<u>Business-Type Activities</u>	
Inter-Modal Transportation Authority, Inc.	\$ 16,314
Total Depreciation Expense	<u>\$ 16,314</u>

Note 6. Interfund Transactions

The table below shows the interfund operating transfers for fiscal year 2004.

	General Fund	Road and Bridge Fund	Jail Fund	Justice Center Expansion Corporation Fund	Non-Major Governmental Funds	Total Transfers In
General Fund	\$	\$ 15,509	\$ 100,000	\$ 468,368	\$ 12,468	\$ 596,345
Road Fund	550,000		45,000			595,000
Jail Fund	400,000					400,000
Justice Center Expansion Corporation Fund	11,000					11,000
Non-Major Governmental Funds	500,002		717,948	357,202		1,575,152
Total Transfers Out	<u>\$ 1,461,002</u>	<u>\$ 15,509</u>	<u>\$ 862,948</u>	<u>\$ 825,570</u>	<u>\$ 12,468</u>	<u>\$ 3,177,497</u>

Reasons for transfers: 1) to move resources from the General Fund, for budgetary purposes, to the fund that will expend them and 2) to move resources from funds recording the revenue to the fund making the debt service payments

Note 7. Short-term Debt

In October 2001, South Central Kentucky Development Authority, a discretely presented component unit of the Warren County Fiscal Court, issued \$6,000,000 first mortgage revenue bonds to finance the acquisition of real estate. The principal matured on October 1, 2003.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 7. Short-term Debt (Continued)

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Discretely presented component units:				
<u>Business-type Activities:</u>				
South Central Kentucky Regional Development Authority Revenue Bonds	\$ 6,000,000	\$	\$6,000,000	\$ 0
Business-type Activities Short-term Liabilities	<u>\$ 6,000,000</u>	<u>\$</u>	<u>\$ 6,000,000</u>	<u>\$ 0</u>

Note 8. Long-term Debt

A. General Obligation Improvement Bonds, Series 1999

The Warren County Fiscal Court issued obligations, dated May 1, 1999 and payable in 20 annual installments beginning March 1, 2000, with \$1,290,000 term bonds due on March 1, 2020, and semi-annual interest payments on the first of March and September at varying rates from 3.200% to 4.875%. The fiscal court issued the bonds for the purpose of purchasing fire protection equipment and constructing an addition to and renovating the Warren County Regional Detention Facility. As of June 30, 2004, bonds outstanding were \$5,505,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 320,000	\$ 250,841
2006	330,000	238,361
2007	345,000	225,161
2008	260,000	210,930
2009	275,000	199,490
2010-2014	1,565,000	803,440
2015-2019	1,960,000	403,928
2020	450,000	21,938
Totals	<u>\$ 5,505,000</u>	<u>\$ 2,354,089</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

B. General Obligation Bonds, Series 2000

The Warren County Fiscal Court issued obligations, dated December 1, 2000 and payable in 17 annual installments beginning March 1, 2001, with the term bonds due on September 1 of the years 2012, 2023, 2026, and 2029; semi-annual interest payments at rates ranging from 4.75% to 5.20%. The fiscal court issued the bonds for the following purposes: i) redeeming prior to their stated maturity all the outstanding Warren County General Obligation Bond Anticipation Notes, Series 1999 (the "Prior Notes") dated July 1, 1999, originally issued to pay certain costs associated with construction of the Warren County Judicial Facility; ii) reimbursing the County for land acquisition costs associated with the parks projects; iii) depositing to the Construction Fund sufficient monies to complete a portion of the Project, and, iv) paying the costs of issuance of the bonds. As of June 30, 2004, bonds outstanding were \$9,460,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 50,000	\$ 481,760
2006	90,000	478,435
2007	100,000	473,897
2008	170,000	467,418
2009	185,000	458,898
2010-2014	1,145,000	2,142,437
2015-2019	1,605,000	1,804,855
2020-2024	2,220,000	1,315,764
2025-2029	3,060,000	634,920
2030	835,000	21,710
Totals	<u>\$ 9,460,000</u>	<u>\$ 8,280,094</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

C. General Obligation Improvement Bonds, Series 2002

The Warren County Fiscal Court issued obligations, dated December 1, 2002 and payable in 15 annual installments beginning August 1, 2003, with the term bonds due on February 1 of the years 2020, 2024, 2026, and 2028; semi-annual interest payments at rates ranging from 4.00% to 4.50%. The fiscal court issued the bonds for the following purposes: i) completing major public parks, land acquisition and development plan; ii) remodeling the existing Warren County Courthouse; and, iii) paying the costs of issuance on the bonds. As of June 30, 2004, bonds outstanding were \$5,490,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 135,000	\$ 237,772
2006	145,000	232,372
2007	150,000	226,573
2008	155,000	220,573
2009	160,000	214,373
2010-2014	905,000	969,988
2015-2019	1,110,000	762,307
2020-2024	1,380,000	495,425
2025-2028	1,350,000	155,250
Totals	<u>\$ 5,490,000</u>	<u>\$ 3,514,633</u>

D. General Obligation Improvement Bonds, Series 2004

The Warren County Fiscal Court issued obligations, dated March 1, 2004 and payable in 11 annual installments beginning March 1, 2005, with \$1,600,000 term bonds due on March 1 of the years 2018, 2021, and 2024; and semi-annual interest payments on the first of March and September at varying rates from 2.00% to 4.30%. The Fiscal Court issued the bonds for the purpose of i) completing a major public parks land acquisition and development plan; ii) remodeling of the existing Warren County Courthouse; and iii) paying the costs of issuance on the bonds. As of June 30, 2004, bonds outstanding were \$1,600,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 60,000	\$ 52,429
2006	60,000	53,989
2007	60,000	52,789
2008	65,000	51,589
2009	65,000	50,191
2010-2014	350,000	222,614
2015-2019	415,000	157,779
2020-2024	525,000	68,325
Totals	<u>\$ 1,600,000</u>	<u>\$ 709,705</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

E. Public Projects Revenue Bonds, Series 1996

The Regional Jail Corporation (Corporation), an agency and instrumentality of the fiscal court, issued obligation dated December 1, 1996 and payable in 19 annual installments beginning December 1, 1998, with the semi-annual interest payments at rates ranging from 4.00% to 5.30%. These bonds will be called December 1, 2006.

The Corporation has entered into a contract lease and option with the fiscal court. The lease provides that the fiscal court shall lease the detention facility from the Corporation at a rental equal to the aggregate of the principal and interest payments due and payable during such period, together with the cost of operation and maintenance of such equipment and the leased premises and the cost of insuring the equipment and the leased premises. The fiscal court has the option to renew the lease each July 1. Should the fiscal court renew the lease until the bonds mature, the Corporation will convey the detention facility to the fiscal court. Subsequent to June 30, 2004, the fiscal court has issued general obligation refunding bonds for the purpose of refunding the Series 1996 bonds. As of June 30, 2004, total bonds outstanding were \$2,735,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 155,000	\$ 134,301
2006	165,000	126,859
2007	170,000	118,944
2008	180,000	110,586
2009	185,000	101,780
2010-2014	1,080,000	356,558
2015-2017	800,000	64,861
Totals	<u>\$ 2,735,000</u>	<u>\$ 1,013,889</u>

F. Lease Revenue Refunding Bonds, Series 1992

The Justice Center Expansion Corporation (formerly the Warren Public Judiciary Corporation) (Corporation), an agency and instrumentality of the fiscal court issued obligations. These bonds were issued to advance refund First Mortgage Bonds, 1985 Series A bonds dated July 1, 1985.

The Corporation has entered into a contract, lease and option with the fiscal court whereby the fiscal court has leased the Justice Center on an annual basis at a rental equal to the amount of interest on and principal of the bonds coming due and payable on July 1 and January 1 of each year. The fiscal court has an exclusive option to renew the lease each July 1. Should the fiscal court renew the lease until the bonds mature July 1, 2005, the Corporation will convey the Justice Center to the fiscal court. Should the fiscal court terminate the option to the lease, the fiscal court will give, upon request, immediate possession of the Justice Center to the Corporation or the trustee of the bondholders.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

F. Lease Revenue Refunding Bonds, Series 1992 (Continued)

Although the fiscal court is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements of the bonds for each year the contract, lease and option are renewed, the fiscal court expects to receive payments for the use of the Justice Center from the Kentucky Judicial Branch, Administrative Office of the Courts (AOC). The AOC will pay directly to the trustee a portion of the fiscal court's annual rental in the form of a use allowance. In addition, the AOC will pay the fiscal court certain expenses attributable to maintaining and operating the building. As of June 30, 2004, bonds outstanding were \$225,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 110,000	\$ 9,350
2006	115,000	3,163
Totals	<u>\$ 225,000</u>	<u>\$ 12,513</u>

G. First Mortgage Revenue Bonds, Series 1997A

The Justice Center Expansion Corporation (Corporation), an agency and instrumentality of the fiscal court issued obligations; dated June 1, 1997 and payable in 14 annual installments beginning September 1, 2000, with the term bonds due on September 1 of the years 2015, 2017, 2024, and 2029; semi-annual interest payments at rates ranging from 5.125% to 5.25%.

The Corporation entered into a contract lease and option with the Administrative Office of the Courts (AOC). The lease provides the AOC lease the project site and project at a rental equal to the full amount of the principal and interest requirements on the bonds for each year in which the lease is renewed. On July 1 of each even numbered year, the lease may be renewed by AOC for another biennial period of two years. Should the AOC renew the lease until the bonds mature, the Corporation will convey the project site and the project to the fiscal court. As of June 30, 2004, bonds outstanding were \$22,210,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 415,000	\$ 1,158,468
2006	435,000	1,136,687
2007	460,000	1,113,753
2008	480,000	1,089,665
2009	505,000	1,064,424
2010-2014	2,975,000	4,887,477
2015-2019	3,860,000	3,995,600
2020-2024	5,015,000	2,837,319
2025-2029	6,535,000	1,320,196
2030	1,530,000	40,928
Totals	<u>\$ 22,210,000</u>	<u>\$ 18,644,517</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

H. First Mortgage Revenue Bonds, Series 1999B

The Justice Center Expansion Corporation (Corporation), an agency and instrumentality of the fiscal court, issued \$3,460,000 First Mortgage Revenue Bonds on July 1, 1999 for the purpose of renovating and expanding the existing courthouse annex. The bonds are payable in 15 annual installments on the 1st of September, with term bonds due on September 1, of 2019, 2024, and 2029, and semi-annual interest payments due March and September at varying rates from 3.70% to 5.350%.

The Corporation, the fiscal court, and the State Administrative Office of the Courts (AOC) have entered into a lease agreement, dated July 1, 1999 wherein the AOC shall lease from the Corporation a portion of the project and project site at an agreed rental, which rental amount will be assigned by the Corporation to the Trustee and is anticipated to be adequate to pay 100% of the principal and interest on the Bonds. The lease does not require the fiscal court to make any rental payments toward the project; however, the fiscal court is obligated to provide operation, maintenance, insurance and repair of the project. As of June 30, 2004, bonds outstanding were \$3,120,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 60,000	\$ 164,594
2006	65,000	161,749
2007	65,000	158,726
2008	70,000	155,519
2009	75,000	152,001
2010-2014	425,000	699,009
2015-2019	555,000	569,528
2020-2024	725,000	398,329
2025-2029	950,000	171,790
2030	130,000	3,575
Totals	<u>\$ 3,120,000</u>	<u>\$ 2,634,820</u>

I. Office Buildings

On December 19, 1994, the Warren County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of office buildings for the Health Department. The principal was \$580,000 at an effective interest rate of 6.94 percent for a period of 15 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$262,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2005	\$ 47,000	\$ 16,832
2006	49,000	13,510
2007	52,000	10,021
2008	55,000	6,324
2009	59,000	2,390
Totals	<u>\$ 262,000</u>	<u>\$ 49,077</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

J. Fire Trucks

On December 25, 1995, the Warren County Fiscal Court entered into an agreement with the Emergency One, Inc. for the purchase of five fire trucks. The principal was \$619,985 at an effective interest rate of 5.69 percent for a period of 10 years, with payments due quarterly in March, June, September, and December. The principal outstanding as of June 30, 2004, was \$116,301. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 76,353	\$ 4,902
2006	39,948	837
Totals	<u>\$ 116,301</u>	<u>\$ 5,739</u>

K. Emergency Management Vehicle

On July 2, 2002, the Warren County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an emergency management vehicle for the emergency management services. The principal was \$30,327 at an effective interest rate of 3.60 percent for a period of 4 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$15,648. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 7,699	\$ 434
2006	7,949	162
Totals	<u>\$ 15,648</u>	<u>\$ 596</u>

L. Revenue Bonds - Inter-Modal Transportation Authority, Inc.

The Inter-Modal Transportation Authority, Inc.'s (ITA), a discretely presented component unit of the Warren County Fiscal Court, long-term debt consists of the following at June 30, 2004:

	Fiscal Year Ended June 30, 2004
Revenue Bonds, Series 2003A (a)	\$ 2,415,000
Revenue Bonds, Series 2003B (b)	
Revenue Bonds, Series 2003C (c)	
Revenue Bonds, Series 2003D (d)	2,800,000
Revenue Bonds, Series 2004 (e)	8,395,000
Revenue Bonds and Bond Anticipation Notes, Series 2004A (f)	4,750,000
	<u>\$ 18,360,000</u>
Less current portion	
Less unamortized bond discount	(213,256)
Less unamortized deferred amount arising from refunded bonds	(93,031)
Total Long-Term Debt	<u>\$ 18,053,713</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

L. Revenue Bonds - Inter-Modal Transportation Authority, Inc. (Continued)

- (a) \$2,415,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue Bonds, Series 2003A, dated July 29, 2003; fully registered bonds in the denominations of \$5,000 or any integral multiple thereof; maturing as to principal on November 1, 2013; subject to optional prior redemption on or after May 1, 2008 and mandatory redemption upon transfer of title to or use of any project site acquired from bond net proceeds for private use, resulting in the bonds being declared as taxable securities in the opinion of bond counsel; interest at 3.875% payable semi-annually on May 1 and November 1, beginning May 1, 2004; secured by a first mortgage lien on the project and project site pursuant to mortgage deed of trust.
- (b) \$2,585,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue Bonds, Series 2003B, dated August 19, 2003; fully registered bonds in the denomination of \$5,000 or any integral multiple thereof; maturing as to principal on November 1, 2013; subject to optional prior redemption on or after May 1, 2008 and mandatory redemption upon transfer of title to or use of any project site acquired from bond net proceeds for private use, resulting in the bonds being declared as taxable securities in the opinion of bond counsel; interest at 4.150% payable semi-annually on May 1 and November 1, beginning May 1, 2004; secured by a first mortgage lien on the project and project site pursuant to mortgage deed of trust.
- (c) \$2,165,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue Bonds, Series 2003C, dated September 8, 2003; fully registered bonds in the denomination of \$5,000 or any integral multiple thereof; maturing as to principal on November 1, 2013; subject to optional prior redemption on or after May 1, 2008 and mandatory redemption upon transfer of title to or use of any project site acquired from bond net proceeds for private use, resulting in the bonds being declared as taxable securities in the opinion of bond counsel; interest at 4.000% payable semi-annually on May 1 and November 1, beginning May 1, 2004; secured by a first mortgage lien on the project and project site pursuant to mortgage deed of trust.
- (d) \$2,800,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue Bonds, Series 2003D, dated September 30, 2003; fully registered bonds in the denomination of \$5,000 or any integral multiple thereof; maturing as to principal on November 1, 2013; subject to optional prior redemption on or after May 1, 2008 and mandatory redemption upon transfer of title to or use of any project site acquired from bond net proceeds for private use, resulting in the bonds being declared as taxable securities in the opinion of bond counsel; interest at 3.800% payable semi-annually on May 1 and November 1, beginning May 1, 2004; secured by a first mortgage lien on the project and project site pursuant to mortgage deed of trust.
- (e) \$8,395,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue Bonds, Series 2004, dated February 1, 2004; fully registered bonds in the denomination of \$5,000 or any integral multiple thereof; maturing as to principal on February 1 in annual installments of \$300,000 to \$550,000, beginning February 1, 2007 through February 1, 2024; thereafter \$1,175,000, 4.500% term bonds due February 1, 2026; bonds maturing after February 1, 2014 and thereafter subject to optional prior redemption on or after August 1, 2013; term bonds due February 1, 2026 subject to mandatory sinking fund redemption on February 1, 2025 in the principal amount of \$575,000; the remaining \$600,000 principal amount of term bonds due on February 1, 2026; interest at 2.000% to 4.500% payable semi-annually on February 1 and August 1, beginning August 1, 2004; secured by a first mortgage lien on the project and project site pursuant to mortgage deed of trust.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

L. Revenue Bonds - Inter-Modal Transportation Authority, Inc. (Continued)

- (f) \$4,750,000 Inter-Modal Transportation Authority, Inc. First Mortgage Revenue and Bond Anticipation Notes, Series 2004A, dated February 9, 2004; fully registered bonds in the denomination of \$100,000 and multiples of \$25,000 over that; maturing as to principal on June 30, 2009; subject to optional redemption on the last day of any calendar month beginning June 30, 2004 in an amount not less than \$100,000; subject to mandatory redemption, beginning June 30, 2005 and each June 30 thereafter, unless on or before May 15, 2005, and on or before each May 15 thereafter, registered owner submits written mandatory redemption waiver; interest at LIBOR rate (1.567% at June 30, 2004) payable June 30, 2004, at maturity, to date of redemption if redeemed if redeemed earlier than June 30, 2005, and each June 30 thereafter; secured by a first mortgage lien on the project and project site pursuant to mortgage deed of trust.
- (g) Current Refunding:
On February 9, 2004, the Inter-Modal Transportation Authority, Inc. (ITA) issued \$4,750,000 First Mortgage Revenue and Bond Anticipation Notes, Series 2004A, to redeem the ITA's \$2,585,000 First Mortgage Revenue Bonds, Series 2003B and \$2,165,000 First Mortgage Revenue Bonds, Series 2003C under the extraordinary redemption provisions of the respective mortgage deeds of trust. The current refunding was undertaken because the ITA's proposed sale and transfer of certain property acquired with the proceeds of the Series 2003B Bonds and Series 2003C Bonds for private business use would have resulted in the Series 2003B Bonds and Series 2003C Bonds being treated as taxable securities. The reacquisition price exceeded the net carrying amount of the old debt by \$98,458. This difference, reported in the accompanying financial statements as a deduction from revenue and bond anticipation notes payable, is being amortized over the new debt's life, which is shorter than the refunded debt.
- (h) The annual requirements to amortize long-term debt outstanding as of June 30, 2004 are as follows:

Fiscal Year Ended June 30	Revenue Bonds		Revenue and Bond Anticipation Notes	
	Principal	Interest	Principal	Interest
2005	\$	\$ 525,227	\$	\$ 131,130
2006		525,227		137,687
2007	300,000	525,227		144,571
2008	305,000	519,228		151,800
2009	315,000	511,603	4,750,000	159,390
2010-2014	6,930,000	2,300,122		
2015-2019	2,055,000	1,065,795		
2020-2024	2,530,000	606,910		
2025-2026	1,175,000	79,875		
	<u>\$ 13,610,000</u>	<u>\$ 6,659,214</u>	<u>\$ 4,750,000</u>	<u>\$ 724,578</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

M. Changes In Long-term Liabilities

Long-term liability activity for the primary government for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation					
Bonds	\$20,885,000	\$ 1,600,000	\$ 430,000	\$22,055,000	\$ 565,000
Revenue Bonds	29,155,000		865,000	28,290,000	740,000
Financing					
Obligations	517,650		123,701	393,949	131,052
Governmental Activities					
Long-term					
Liabilities	<u>\$50,557,650</u>	<u>\$ 1,600,000</u>	<u>\$ 1,418,701</u>	<u>\$50,738,949</u>	<u>\$ 1,436,052</u>

Long-term liability activity for the discretely presented component units of the Warren County Fiscal Court for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Discretely Presented				
Component Units:				
<u>Business-type Activities:</u>				
Inter-Modal Transportation				
Authority, Inc.:				
Revenue Bonds	\$	\$18,360,000	\$ 4,750,000	\$13,610,000
Less unamortized				
discounts		(261,055)	(47,799)	(213,256)
		<u>18,098,945</u>	<u>4,702,201</u>	<u>13,396,744</u>
Revenue Bond				
Anticipation Notes		4,750,000		4,750,000
Less unamortized				
deferred amount on				
refunding		(98,458)	(5,427)	(93,031)
		<u>4,651,542</u>	<u>(5,427)</u>	<u>4,656,969</u>
Business-type Activities				
Long-term Liabilities	<u>\$ 0</u>	<u>\$22,750,487</u>	<u>\$ 4,696,774</u>	<u>\$18,053,713</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 9. Interest On Long-term Debt and Financing Obligations

Debt Service of the primary government on the Statement of Activities includes \$29,681 in interest on financing obligations, \$2,526,691 in interest on bonds, \$38,846 in management fees, and \$56,999 in bond issuance costs.

Note 10. Project Financing - Inter-Modal Transportation Authority, Inc.

On February 14, 2001, the Warren County Fiscal Court adopted a resolution authorizing and approving the Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit of the Warren County Fiscal Court, as the agency, instrumentality and constituted authority of the fiscal court, to issue up to \$25,000,000 in first mortgage revenue bonds for project financing. The resolution also approved issuance up to \$25,000,000 of bond anticipation notes to provide interim financing for the project pending issuance of the bonds.

On April 2, 2001, the fiscal court petitioned the State Local Debt Officer pursuant to KRS 66.310 to issue the bonds. A Warren County taxpayer filed objections and appealed the fiscal court's issuance of the bonds. The bond issuance was approved by the State Local Debt Officer, County Debt Commission, the Franklin Circuit Court, and the Kentucky Court of Appeals. The Kentucky Court of Appeals rendered a final non-appealable opinion sustaining and approving the proposed bond issue; therefore, the Warren County taxpayer's appeal was dismissed and no longer subject to any further appeal. The ITA issued first mortgage revenue bonds in fiscal year 2004.

Warren County Fiscal Court and the City of Bowling Green (City), pursuant to the Kentucky Increment Financing Act (KRS 65.680 to 65.699) have adopted ordinances authorizing the creation of a tax increment district in the development area to support the financing of the project, whereby the ITA will receive 80% of the incremental State, City, and County real estate taxes generated by businesses that locate in the development area. The ITA will also receive 1.5% of a County wage assessment to be assessed on wages paid by businesses locating in the development area.

The City of Bowling Green, Kentucky, and eleven additional cities and counties of southcentral Kentucky, have passed resolutions authorizing and approving the execution of an Interlocal Cooperation Agreement, in accordance with the Interlocal Cooperation Act, pursuant to their support and extent of participation in the project.

The City of Bowling Green has agreed to join the County of Warren in a commitment to jointly, equally, and cooperatively assist in the development of the project.

Note 11. Related Party Transactions

A. Management Agreement

On September 18, 2001, the Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit of the Warren County Fiscal Court, entered into a management agreement with the South Central Kentucky Regional Development Authority (RDA), a discretely presented component unit of the Warren County Fiscal Court, a non-profit, industrial development authority created by Warren County Fiscal Court pursuant to KRS 154.50-301 through KRS 154.50-346 to finance the acquisition and development of industrial property in Warren County.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 11. Related Party Transactions (Continued)

A. Management Agreement (Continued)

The agreement grants the ITA sole authorization to purchase, supervise, direct, control, manage, lease, and sell certain real estate for the RDA at prices and terms determined by the ITA. The ITA was responsible for maintenance and upkeep, construction of any improvements, and payment of taxes, insurance, and other expenses applicable to the real estate and had an exclusive option to purchase all real estate held by the RDA for the RDA's total original cost including interest and maintenance fees, if applicable, subject to promissory notes and mortgages.

The term of the agreement is for five years with either party having the option to renew the agreement for two terms of five years each.

The agreement was effectively terminated upon the ITA's final acquisition of real estate owned by the RDA on October 1, 2003.

B. Master Total Net Lease Agreement

On July 26, 2002, the Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit of the Warren County Fiscal Court, entered into a master total net lease agreement with the South Central Kentucky Regional Development Authority (RDA), a discretely presented component unit of the Warren County Fiscal Court, for lease of real estate, including land, houses, buildings, barns, and other improvements thereon, acquired pursuant to the management agreement. The lease term is for one year commencing August 1, 2002. The lease provided for a yearly rental amount of \$10 payable in advance. The ITA had the option to extend the lease for ten successive one-year terms.

During the term of the lease agreement, the ITA assumes all obligations and expenses in regard to maintenance and use of the real estate.

The agreement was effectively terminated upon the ITA's final acquisition of real estate owned by the RDA on October 1, 2003.

C. Real Estate Acquisitions, Commitments

In October 2001, the South Central Kentucky Regional Development Authority (RDA), a discretely presented component unit of the Warren County Fiscal Court, issued \$6,000,000 First Mortgage Revenue Bonds to finance the acquisition of real estate. As of June 30, 2003, the RDA's real estate acquisitions, subject to management agreement, totaled \$5,383,682. In addition, the RDA's outstanding commitments to acquire real estate in future years pursuant to real estate purchase agreements totaled \$4,820,085 as of June 30, 2003.

The Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit of the Warren County Fiscal Court, issued a series of first mortgage revenue bonds in fiscal year 2004. Real estate owned by the RDA was acquired by the ITA from proceeds of the Series 2003B revenue bonds (\$2,270,021), Series 2003C revenue bonds (\$1,900,180), and Series 2003D revenue bonds (\$1,617,169). The RDA's outstanding bonds of \$6,000,000 were paid on October 1, 2003.

The ITA's outstanding commitments to acquire real estate in future years pursuant to real estate purchase agreements total \$1,179,488 as of June 30, 2004.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 11. Related Party Transactions (Continued)

D. Lease Agreements

The Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit of the Warren County Fiscal Court, has entered into net residential and net farm lease agreements as agent for and on behalf of the South Central Kentucky Regional Development Authority (RDA), a discretely presented component unit of the Warren County Fiscal Court, pursuant to the terms of the management agreement. The lease agreements provide for lease of specific real estate acquired by the RDA and are for one-year terms with varying renewal options.

E. Legal Fees

During fiscal year 2004, the South Central Kentucky Regional Development Authority, a discretely presented component unit of the Warren County Fiscal Court, paid approximately \$50,000 in legal expenses of the Inter-Modal Transportation Authority, Inc., a discretely presented component unit of the Warren County Fiscal Court.

Note 12. Commitments and Contingencies

A. Lovers Lane Soccer Complex

During 1996, the Warren County Fiscal Court entered into an agreement with the City of Bowling Green to fund 20% of construction costs associated with the Lovers Lane Soccer Complex. The City of Bowling Green Municipal Project Corporation issued \$2,365,000 of Series 1995 Lease Revenue Bonds to finance the project. The fiscal court's commitment as of June 30, 2004, totaled \$361,275 payable at varying amounts semiannually in conjunction with the principal and interest payments due on the bonds, which mature November 1, 2015.

B. Community Public Safety/Public Service Mobile Radio Communications System

During 1997, the Warren County Fiscal Court entered into an agreement with the City of Bowling Green to fund 55% of the total cost associated with purchase and establishment of a community public safety/public service mobile radio communications system. The City of Bowling Green Municipal Projects Corporation issued \$1,560,000 of Series 1997 Lease Revenue Bonds to finance the project. The fiscal court's commitment as of June 30, 2004, totaled \$328,182 payable in varying amounts semiannually in conjunction with the principal and interest payments due on the bonds, which mature June 1, 2007.

C. Historic Railroad Depot

An Interlocal Cooperation Agreement relating to the Historic Railroad Depot was entered into on February 2, 2001 by and between the City of Bowling Green (City) and the Warren County Fiscal Court (County). The City and the County authorized the creation of jointly governed organization, a public non-profit corporation known as the Depot Development Authority, a corporation, to act as the agent, instrumentality and constituted authority of the City and the County in connection with the planning, promotion, development, financing, and acquisition by the corporation of the historic railroad station located in Bowling Green. The City and County have agreed to borrow up to \$1,000,000 to repay the debt of the Authority and finish the renovation of the Depot. The City and County have agreed to equally share the costs of this loan over a twenty-year period and to share equally the responsibility and the costs of the remaining renovation, promotion, development, financing, management and maintenance of the historic depot. During fiscal year ended June 30, 2004, the County made payments totaling \$50,421.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 12. Commitments and Contingencies (Continued)

D. Health Department

The Warren County Fiscal Court established a county health department under KRS 212.040. Upon the resolution being passed establishing the county health department, the fiscal court is required to appropriate a sufficient amount for the creation, establishment and maintenance of the county health department. The fiscal court budgeted \$879,723 and paid \$879,723 for fiscal year ended June 30, 2004. For the fiscal years ended June 30, 2005 and June 30, 2006, the fiscal court budgeted \$916,931 and \$963,946, respectively.

E. Construction Commitments - Inter-Modal Transportation Authority, Inc.

The Inter-Modal Transportation Authority, Inc.'s (ITA), a discretely presented component unit of the Warren County Fiscal Court, construction commitments as of June 30, 2004 consist of the following:

Project	Spent-to-Date	Remaining Commitment
1,000,000 gallon elevated water storage tank	\$	\$ 1,130,100
Access road grade and drain, water and sewer lines		8,200,797
Paving		2,218,580
Total	\$	\$ 11,549,477

The construction commitments are being financed by the ITA's \$8,395,000 First Mortgage Revenue Bonds, Series 2004, dated February 1, 2004 and by the ITA's \$6,640,000 First Mortgage Revenue Bonds, Series 2005A, issued on February 3, 2005. In addition, the Commonwealth of Kentucky, Transportation Cabinet, has agreed to provide funding up to \$1,200,000 toward construction of a transpark access road.

Note 13. Employee Retirement System

The Warren County Fiscal Court and the Inter-Modal Transportation Authority, Inc., a discretely presented component unit of the Warren County Fiscal Court, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 14. Deferred Compensation

On February 24, 2000, the Warren County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

Note 15. Insurance

For the fiscal year ended June 30, 2004, Warren County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 16. Subsequent Events

A. General Obligation Refunding Bonds, Series 2004B

The Warren County Fiscal Court issued obligations of \$2,620,000, dated October 1, 2004 and payable in 12 annual principal installments beginning December 1, 2004 and semi-annual interest payments on the first of December and June at varying rates from 2.00% to 3.65%. The Fiscal Court issued the bonds for the purpose of refunding the Public Projects Revenue Bonds, Series 1996, issued by Warren County Regional Jail Corporation.

B. First Mortgage Refunding Revenue Bonds, Series 2005

On November 21, 2005, the Warren County Justice Center Expansion Corporation issued \$25,960,000 of first mortgage refunding revenue bonds to partially advance refund the first mortgage revenue bonds, series 1997A, and the first mortgage revenue bonds, series 1999B, both issued by the Warren County Justice Center Expansion Corporation. The 2005 series bonds were issued at various rates from 3.75% through 4.50%. The final maturity date of the 2005 series bonds is September 1, 2029.

C. Southern Kentucky Performing Arts Center, Inc.

Southern Kentucky Performing Arts Center, Inc. (SKyPAC), a discretely presented component unit of the Warren County Fiscal Court, had purchased real property near the campus of Western Kentucky University (WKU) with the intent to construct a performing arts center on this property. Subsequent to these real estate purchases, SKyPAC was approached by the City of Bowling Green, Kentucky, (City) to locate the proposed performing arts center in the area of the City's Redevelopment Plan. On June 23, 2005, SKyPAC entered into a property acquisition agreement (Agreement) with the City. The Agreement states SKyPAC will convey certain real property to WKU in exchange for \$1,000,000, which is to be paid to the City for the acquisition of certain real property in the

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 16. Subsequent Events (Continued)

C. Southern Kentucky Performing Arts Center, Inc. (Continued)

Redevelopment Plan area. Such purchases of real estate by the City will be conveyed to SKyPAC for the construction of a performing arts center and related parking area. The City will be responsible for all costs of demolition of existing structures along with any costs incurred in acquiring the specific properties in excess of the \$1,000,000 provided by SKyPAC.

D. Inter-Modal Transportation Authority, Inc.

Agreement For Management And Marketing Services

On August 25, 2004, the Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit of the Warren County Fiscal Court, and the Bowling Green Area Chamber of Commerce, Inc. (Chamber) entered into an "agreement for management and marketing services." The Chamber agrees to provide management and marketing services to the ITA, including management of staff, assets and operations, reporting to ITA committees and board of directors, management of lead-tracking system for economic development prospects, development and implementation of economic development marketing plan, administration and oversight of annual budget and long-term financial obligations, coordination of funding initiatives, development and maintenance of database of available industrial buildings and sites in Southcentral Kentucky, providing primary clerical staff support and public relations, and communication services to the ITA.

The agreement, effective September 1, 2004, is for a three year term and may be terminated by either party after one year. The agreement provides for payment of a management fee to the Chamber for services rendered, payable \$12,250 per month in year one, \$12,865 per month in year two, and \$13,515 per month in year three. The management fee is based upon three Chamber professional positions of President, Vice-President for Economic Development, and Economic Development Coordinator on staff, adjustable on a prorata basis for vacant positions. In addition, the Chamber will receive one percent (1%) of the net proceeds of all real estate sales in the transpark if, in any one fiscal year, the ITA sells more than sixty acres, excluding sales of land currently under contract.

The ITA and Chamber entered into a "supplemental agreement" effective April 1, 2005, whereby the ITA agrees to provide financial management services for the Chamber at a fee of \$3,042 per month. The fee increases to \$3,195 per month beginning September 1, 2005 and \$3,355 per month beginning September 1, 2006.

First Mortgage Revenue Bonds

On February 3, 2005, the Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit of the Warren County Fiscal Court, issued \$6,640,000 First Mortgage Revenue Bonds, Series 2005A, in order to provide funds for: (i) financing the cost of infrastructure improvements to the intermodal commerce and industrial park; (ii) to pay interest on the bonds during the construction of certain land and infrastructure improvements being planned on the project site; and (iii) to pay the costs of issuance of the bonds.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 16. Subsequent Events (Continued)

D. Inter-Modal Transportation Authority, Inc. (Continued)

Real Estate Acquisitions

The Inter-Modal Transportation Authority, Inc.'s (ITA), a discretely presented component unit of the Warren County Fiscal Court, real estate expenditures, pursuant to real estate purchase agreements, totaled \$394,987 in September 2004, \$412,334 in October 2004, \$106,000 in January 2005, and \$247,829 in February 2005.

E. South Central Kentucky Regional Development Authority

Subsequent to June 30, 2004, the South Central Kentucky Regional Development Authority (RDA), a discretely presented component unit of the Warren County Fiscal Court, obtained financing from the Kentucky Area Development District's (KADD) Financing Trust, for interim financing for the construction of a technical training center (Warren County Technology Center) located on site in the Inter-modal Transportation Authority's, a discretely presented component unit, Kentucky Transpark. The RDA provided interim financing of the design and construction of the technology center pending the approval of project funding from the Commonwealth of Kentucky, which was approved in the spring of 2005 in the amount of \$7,500,000. Interim project financing consisted of the following:

- \$500,000 KADD Financing Trust Lease Acquisition Program Certificates of Participation, 2004 Series H, dated July 22, 2004; Lease payment equal to the amount of the principal and interest due on the Certificates as of August 1, 2005
- \$4,000,000 KADD Financing Trust Lease Acquisition Program Certificates of Participation, 2005 Series A, dated January 5, 2005; Lease payment equal to the amount of the principal and interest due on the Certificates as of June 30, 2005.

In September 2004, the RDA approved the architectural firm to design the Warren County Technology Center and in December 2004, approved the contractor to construct the Warren County Technology Center (\$5,964,000).

On June 21, 2005, the RDA wire transferred \$2,985,063 to the Bank of New York Trust Company, lease trustee, representing the RDA's remaining unspent lease proceeds applicable to the project. The remaining portion of the principal and interest due on June 30, 2005, applicable to the \$4,000,000 KADD Certificates of Participation of \$1,068,409 was provided directly by the Commonwealth of Kentucky to the trustee.

Principal and interest totaling \$510,750 due on August 1, 2005, applicable to the \$500,000 KADD Certificates of Participation were also paid directly by the Commonwealth of Kentucky to the lease trustee, except for \$10,691 which was held in trust by the lease trustee.

The Warren County Technology Center project is now owned by the Commonwealth of Kentucky as a unit of the Kentucky Community Technical College system.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 17. Prior Period Adjustments

Prior Period Adjustments

The beginning net asset balances as of June 30, 2003 for business-type activities of the primary government and discretely presented component units of the Warren County Fiscal Court have been restated due to correction of errors. The following is a reconciliation of net assets of June 30, 2003, as previously reported to the restated net assets balance for the same period.

	Governmental Activities	Business-type Activities	Discretely Presented Component Units
Beginning net assets at June 30, 2003	\$ 47,977,175	\$ 121,288	\$ 8,848,426
Adjustments to correct errors:			
Reclassify agency fund included in Fiscal Court		(1,385)	
Adjustment to increase land cost of Southern Kentucky Performing Arts Center, Inc.			281,977
Adjustment to increase investment value of Southern Kentucky Performing Arts Center, Inc.			40,314
Adjustment to decrease South Central Kentucky Regional Development Authority's (RDA) net assets to agree to to audited financial statements of RDA			(106,573)
Restated beginning net assets at June 30, 2003	<u>\$ 47,977,175</u>	<u>\$ 119,903</u>	<u>\$ 9,064,144</u>

In addition, the beginning fund net asset balance as of June 30, 2003 for the Jail Canteen Fund and the beginning cash balance for the Jail Canteen Fund have been restated by \$1,385 for an agency fund previously included in error.

Note 18. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated Infrastructure Historical Cost includes infrastructure placed in service from fiscal year 1984 through current fiscal year. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2004

WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,953,000	\$ 6,953,000	\$ 7,492,496	\$ 539,496
In Lieu Tax Payments	114,200	114,200	113,618	(582)
Excess Fees	870,000	870,000	846,687	(23,313)
Licenses and Permits	805,000	805,000	1,036,097	231,097
Intergovernmental Revenue	3,723,320	5,194,214	2,870,905	(2,323,309)
Charges for Services	363,600	390,103	195,276	(194,827)
Miscellaneous	401,500	421,299	415,806	(5,493)
Interest	450,000	450,000	98,041	(351,959)
Total Revenues	13,680,620	15,197,816	13,068,926	(2,128,890)
EXPENDITURES				
General Government	4,857,080	5,037,443	4,778,914	258,529
Protection to Persons and Property	1,086,142	2,169,119	1,430,228	738,891
General Health and Sanitation	1,425,574	1,714,190	1,650,076	64,114
Social Services	156,500	481,835	466,193	15,642
Recreation and Culture	2,393,516	2,623,493	2,529,936	93,557
Airports	140,392	140,392	140,392	
Debt Service	1,278,520	1,259,722	773,913	485,809
Capital Projects	1,656,148	1,656,148	400,047	1,256,101
Administration	1,123,815	965,741	941,206	24,535
Total Expenditures	14,117,687	16,048,083	13,110,905	2,937,178
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(437,067)	(850,267)	(41,979)	808,288
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	1,100,000	1,100,000		(1,100,000)
Transfers To Other Funds	(1,625,860)	(1,585,963)	(902,135)	683,828
Total Other Financing Sources (Uses)	(525,860)	(485,963)	(902,135)	(416,172)
Net Changes in Fund Balance	(962,927)	(1,336,230)	(944,114)	392,116
Fund Balance - Beginning	962,927	1,336,230	5,363,565	4,027,335
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,419,451	\$ 4,419,451

WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

**Reconciliation of Budgetary Statement to Statement of Revenues, Expenditures, and
Changes In Fund Balances - Governmental Funds - Modified Cash Basis:**

Total Revenues per Budgetary Statement	\$	13,068,926	
Interest		4,381	
Transfers In From General Obligation Bond Fund		(468,368)	
Transfers In From Justice Center Expansion Corporation Fund		(13)	\$ 12,604,926
Total Expenditures per Budgetary Statement	\$	(13,110,905)	
Miscellaneous Charges		(4,381)	
Transfers Out To General Obligation Bond Fund		419,903	
Transfers Out To Justice Center Expansion Corporation Fund		11,000	(12,684,383)
Other Financing Sources (Uses) per Budgetary Statement	\$	(902,135)	
Transfers In From General Obligation Bond Fund		468,368	
Transfers In From Justice Center Expansion Corporation Fund		13	
Transfers Out To General Obligation Bond Fund		(419,903)	
Transfers Out To Justice Center Expansion Corporation Fund		(11,000)	(864,657)
Beginning Fund Balance per Budgetary Statement			<u>5,363,565</u>
Ending Fund Balance per Budgetary Statement and Statement of Revenues, Expenditures, and Changes in Fund Balances			<u>\$ 4,419,451</u>

BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**Required Supplementary Information****Modified Cash Basis****For The Year Ended June 30, 2004****(Continued)**

ROAD AND BRIDGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,430,000	\$ 1,980,000	\$ 1,837,378	\$ (142,622)
Miscellaneous	8,500	8,500	103,860	95,360
Interest	1,500	1,500	1,833	333
Total Revenues	1,440,000	1,990,000	1,943,071	(46,929)
EXPENDITURES				
Roads	1,020,632	1,290,029	1,245,049	44,980
Road Facilities	2,000	5,000	3,213	1,787
Capital Projects	1,000,000	1,301,603	1,299,244	2,359
Administration	288,334	264,334	246,933	17,401
Total Expenditures	2,310,966	2,860,966	2,794,439	66,527
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(870,966)	(870,966)	(851,368)	19,598
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	870,966	870,966	579,491	(291,475)
Total Other Financing Sources (Uses)	870,966	870,966	579,491	(291,475)
Net Changes in Fund Balance			(271,877)	(271,877)
Fund Balance - Beginning			437,878	437,878
Fund Balance - Ending	\$ 0	\$ 0	\$ 166,001	\$ 166,001

WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,565,113	\$ 3,752,113	\$ 4,007,026	\$ 254,913
Charges for Services	409,568	409,568	442,645	33,077
Miscellaneous	543,361	543,361	418,341	(125,020)
Interest	2,144	2,144	2,095	(49)
Total Revenues	4,520,186	4,707,186	4,870,107	162,921
EXPENDITURES				
Protection to Persons and Property	3,791,556	4,029,056	3,859,967	169,089
Debt Service	744,039	714,039	713,248	791
Administration	739,485	718,985	682,918	36,067
Total Expenditures	5,275,080	5,462,080	5,256,133	205,947
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(754,894)	(754,894)	(386,026)	368,868
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	754,894	754,894	255,000	(499,894)
Total Other Financing Sources (Uses)	754,894	754,894	255,000	(499,894)
Net Changes in Fund Balance			(131,026)	(131,026)
Fund Balance - Beginning			256,094	256,094
Fund Balance - Ending	\$ 0	\$ 0	\$ 125,068	\$ 125,068

WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

**Reconciliation of Budgetary Statement to Statement of Revenues, Expenditures, and
Changes In Fund Balances - Governmental Funds - Modified Cash Basis:**

Total Revenues per Budgetary Statement		\$ 4,870,107
Total Expenditures per Budgetary Statement	\$ (5,256,133)	
Miscellaneous Charges		
Transfers Out To General Obligation Bond Fund	455,497	
Transfers Out To Regional Jail Corporation Fund	<u>262,451</u>	(4,538,185)
Other Financing Sources (Uses) per Budgetary Statement	\$ 255,000	
Transfers Out To General Obligation Bond Fund	(455,497)	
Transfers Out To Regional Jail Corporation Fund	<u>(262,451)</u>	(462,948)
Beginning Fund Balance per Budgetary Statement		<u>256,094</u>
Ending Fund Balance per Budgetary Statement and Statement of Revenues, Expenditures, and Changes in Fund Balances		<u><u>\$ 125,068</u></u>

WARREN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**WARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

WARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

Special Revenue Fund Type					
	Local Government Economic Assistance Fund	Grant Fund	Park Enterprise Fund	Emergency 911 Fund	Federal Drug Forfeiture Fund
ASSETS					
Cash and Cash Equivalents	\$ 47,439	\$	\$ 134,949	\$ 42,093	\$ 34,652
Total Assets	<u>\$ 47,439</u>	<u>\$ 0</u>	<u>\$ 134,949</u>	<u>\$ 42,093</u>	<u>\$ 34,652</u>
FUND BALANCES					
Fund Balances:					
Unreserved:					
Special Revenue Fund Type	\$ 47,439	\$	\$ 134,949	\$ 42,093	\$ 34,652
Debt Service Fund Type					
Total Fund Balances	<u>\$ 47,439</u>	<u>\$ 0</u>	<u>\$ 134,949</u>	<u>\$ 42,093</u>	<u>\$ 34,652</u>

WARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2004
(Continued)

Capital Projects		Debt Service Fund Type	
Fund Type			
Park Construction Bond Fund	General Obligation Bond Fund	Regional Jail Corporation Fund	Total Non-Major Governmental Funds
\$	\$ 459	\$ 386,374	\$ 645,966
\$ 0	\$ 459	\$ 386,374	\$ 645,966
\$	\$	\$	\$ 259,133
	459	386,374	386,833
\$ 0	\$ 459	\$ 386,374	\$ 645,966

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WARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

WARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Special Revenue Fund Type			
	Local Government Economic Assistance Fund	Grant Fund	Park Enterprise Fund	Emergency 911 Fund
REVENUES				
Taxes	\$	\$	\$	\$ 380,058
Intergovernmental	771,293			
Miscellaneous	11,570		15,502	
Interest	7,109		786	
Total Revenues	<u>789,972</u>	<u></u>	<u>16,288</u>	<u>380,058</u>
EXPENDITURES				
General Government	50,000	10,000		
Protection to Persons and Property	192,030	3		379,430
Social Services	54,000	12		
Recreation and Culture			4,865	
Roads	1,038,182			
Debt Service				
Administration	75			
Total Expenditures	<u>1,334,287</u>	<u>10,015</u>	<u>4,865</u>	<u>379,430</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(544,315)</u>	<u>(10,015)</u>	<u>11,423</u>	<u>628</u>
Other Financing Sources (Uses)				
Transfers From Other Funds				
Transfers To Other Funds		(4,410)		
Total Other Financing Sources (Uses)		<u>(4,410)</u>		
Net Change in Fund Balances	(544,315)	(14,425)	11,423	628
Fund Balances - Beginning	591,754	14,425	123,526	41,465
Fund Balances - Ending	<u>\$ 47,439</u>	<u>\$ 0</u>	<u>\$ 134,949</u>	<u>\$ 42,093</u>

WARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004
(Continued)

Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type		
Federal Drug Forfeiture Fund	Park Construction Bond Fund	General Obligation Bond Fund	Regional Jail Corporation Fund	Total Non-Major Governmental Funds
\$	\$	\$	\$	\$ 380,058
				771,293
	42,728	2,700		72,500
320	4,724	2	1,753	14,694
320	47,452	2,702	1,753	1,238,545
				60,000
7,411				578,874
				54,012
	1,702,422			1,707,287
				1,038,182
		1,261,050	293,241	1,554,291
				75
7,411	1,702,422	1,261,050	293,241	4,992,721
(7,091)	(1,654,970)	(1,258,348)	(291,488)	(3,754,176)
	80,099	1,232,602	262,451	1,575,152
	(8,045)	(13)		(12,468)
	72,054	1,232,589	262,451	1,562,684
(7,091)	(1,582,916)	(25,759)	(29,037)	(2,191,492)
41,743	1,582,916	26,218	415,411	2,837,458
\$ 34,652	\$ 0	\$ 459	\$ 386,374	\$ 645,966

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WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Other Supplementary Information

For The Year Ended June 30, 2004

WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Other Supplementary Information

For The Year Ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Warren County, Kentucky and a qualified opinion on the discretely presented component units of Warren County, Kentucky.
2. No reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Warren County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Warren County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Warren County reported in Part C of this schedule.
7. The programs tested as major programs were: State Domestic Preparedness Program
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Warren County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

PRIOR YEAR FINDING – FINANCIAL STATEMENT AUDIT

In the prior year audit report, we made the following comment and recommendation, which has been corrected.

- **Reference Number 2003-1**

The Jailer Should Require Jail Canteen Records Be Maintained In Accordance With Guidelines Prescribed By The State Local Finance Officer Pursuant To KRS 68.210

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

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WARREN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

WARREN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

For The Year Ended June 30, 2004

Federal Grantor			
Program Title	Pass-Through		
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>		<u>Expenditures</u>
Cash Programs :			
<u>U.S. Department of Justice</u>			
Passed-Through State Department Of Justice:			
Byrne Formula Grant (CFDA #16.579)	7003-N2-8/03	\$	177,784
Passed-Through Daviess County, Kentucky Sheriff's Department:			
Public Safety Partnership and Community Policing Grants - Community Oriented Policing Services - Methamphetamine Grant (CFDA #16.710)	KY114050		<u>43,094</u>
Total U. S. Department of Justice		\$	<u>220,878</u>
<u>U.S. Department of Homeland Security</u>			
Passed-Through State Department of Military Affairs:			
State Domestic Preparedness Program (CFDA #97.004)	M-021-107971	\$	389,740
Citizens Corp (CFDA #97.053)	M-03052269		24,706
Disaster and Emergency Assistance Grant - Coordinator Salary (CFDA #97.042)	N/A		11,783
Project Impact (CFDA #83.551)	EMA-2000-GR-0073		<u>131</u>
Total U. S. Department of Homeland Security		\$	<u>426,360</u>
Total Cash Expenditures of Federal Awards		\$	<u><u>647,238</u></u>

WARREN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
June 30, 2004

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Warren County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
Members of the Warren County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the Fiscal Court's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 3, 2006. We did not audit the financial statements of the discretely presented component units of the Warren County Fiscal Court, which include the Southern Kentucky Performing Arts Center, Inc., the Inter-Modal Transportation Authority, Inc., and the South Central Kentucky Regional Development Authority. Other auditors whose reports have been furnished to us audited those financial statements. Warren County Fiscal Court presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Warren County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of Warren County Fiscal Court, management, and the Kentucky Governor's Office for Local Development and is not intended to be, and should not be used, by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 3, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
Members of the Warren County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Warren County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Warren County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Warren County's management. Our responsibility is to express an opinion on Warren County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Warren County's compliance with those requirements.

In our opinion, Warren County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Warren County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Warren County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Warren County Fiscal Court, management, the Kentucky Governor's Office for Local Development, and federal awarding agencies, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 3, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

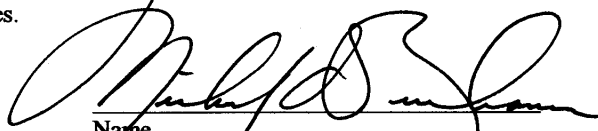
WARREN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

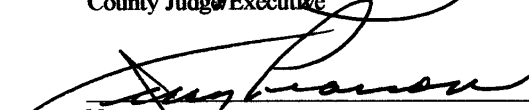
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
WARREN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Warren County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer